

AUTUMN BUDGET 2025

F A C I N G T H E F U T U R E



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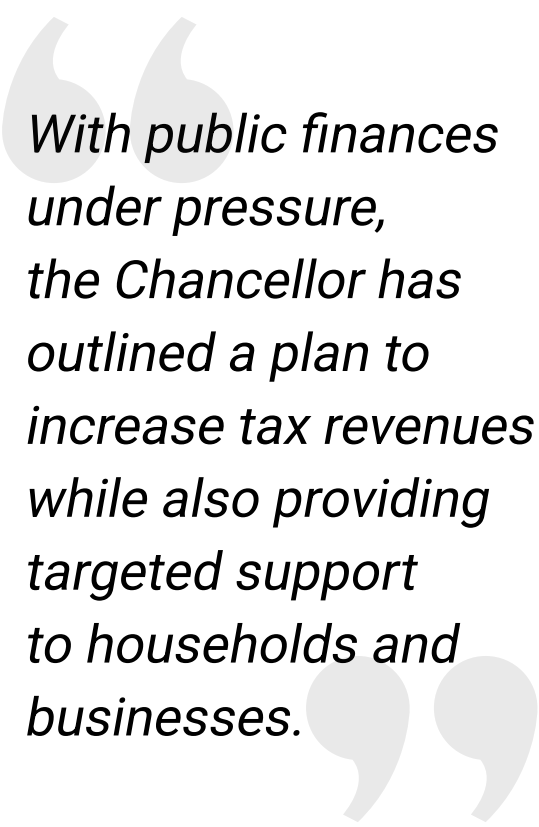
INTRODUCTION

The Autumn Budget 2025 presents a series of fiscal measures aimed at stabilising the UK economy, addressing the ongoing cost-of-living crisis, and ensuring long-term growth. With public finances under pressure, the Chancellor has outlined a plan to increase tax revenues while also providing targeted support to households and businesses.

A key aspect of the Budget is the freeze on income tax thresholds until 2031, which will push many taxpayers into higher tax bands as earnings rise. The freeze will contribute to raising more from personal income taxes over the coming years, alongside increased revenue from income on assets (property, dividends, savings) and reforms to capital gains and pension tax reliefs, while leaving the main income tax and National Insurance Contributions (NICs) rates unchanged. These changes are designed to raise the necessary funds to address fiscal deficits and meet public sector spending needs. However, the Government has also announced measures to support smaller businesses, including expanded employment allowances and continued funding for critical sectors such as green technology, research and development (R&D), and infrastructure.

For some households, the freeze on tax thresholds will increase financial pressure. However, welfare increases and investments in social housing are aimed at alleviating the cost-of-living strain, particularly for low-income families.

This report breaks down the key fiscal measures and explains their expected impact in straightforward terms, covering many of the major changes. However, given the extensive nature of these reforms, please feel free to contact us for more detailed, specific information tailored to your individual circumstances.



With public finances under pressure, the Chancellor has outlined a plan to increase tax revenues while also providing targeted support to households and businesses.

ECONOMIC OUTLOOK: OBR SUMMARY

The Office for Budget Responsibility (OBR) has provided its latest economic forecast, which shapes the Government's fiscal plans. Real GDP growth is projected to average 1.5% between 2026 and 2029, a downward revision from earlier forecasts. The main driver behind this slowdown is lower productivity growth, which has been revised down to 1.0% (from 1.3% in March). The OBR attributes this to ongoing global uncertainties, a reduction in trade intensity, and a slower-than-expected recovery in productivity following recent economic disruptions.

Despite this, the OBR forecasts that inflation will gradually fall back to the Bank of England's target of 2% by 2027, with real wage growth expected to remain positive. The near-term economic outlook remains subdued, with inflation expected to average 3.5% in 2025 before decreasing.

The OBR also expects public sector net borrowing to decrease gradually over the forecast period, from 4.5% of GDP in 2025/26 to 1.9% in 2029/30. While the short-term borrowing requirement is high due to increased public sector spending, especially in health, infrastructure, and social services, the long-term outlook shows a slow but steady recovery. Tax receipts are expected to rise due to frozen personal tax thresholds and higher nominal earnings, although these increases may place additional strain on taxpayers.

Debt as a percentage of GDP is expected to rise to 96% by 2030, primarily due to short-term fiscal stimulus and public sector investment. Despite these pressures, the OBR projects that the Government will meet its current balance target in 2029/30, with a £21.7 billion surplus. However, risks remain in the form of potential economic shocks, fluctuations in global trade, and changes in interest rates, which could impact growth and public finances.

In conclusion, the OBR's forecast indicates a modest recovery for the UK economy, with tax rises funding necessary public sector investments. While short-term challenges persist, the medium- to long-term outlook is more stable, with targeted investments in green infrastructure and technology expected to drive future growth.



A man in a dark suit and light blue shirt is looking upwards and to the right. He is holding a tablet. The background is a blurred warehouse or industrial setting with shelves and lights.

KEY BUSINESS CHANGES

The 2025 Budget introduces several significant changes for businesses, striking a balance between new obligations and continued support for growth. A key focus is on enhancing business rates relief for small and medium-sized enterprises (SMEs). The Government has decided to introduce lower business rates multipliers for eligible retail, hospitality, and leisure (RHL) properties, starting in April 2026. These new multipliers will be 5p lower than the national standard, benefiting approximately 750,000 properties in these sectors, which have been under significant pressure since the pandemic.

Additionally, the high-value multiplier will increase for properties with a rateable value above £500,000. These changes are designed to provide much-needed support to sectors that are still recovering from the economic impact of recent challenges.

EMPLOYER NATIONAL INSURANCE

The secondary threshold for employer NICs will remain frozen at £5,000 until April 2031, extending the position established in last year's Autumn Budget. This means employers will continue to pay 15% NICs on employee earnings above this relatively low threshold for the foreseeable future.

For smaller businesses benefiting from the Employment Allowance – doubled to £10,500 last year and in effect from April 2025 – the impact remains manageable. However, employers without access to this relief will see their payroll costs remain elevated compared to pre-2025 levels.

CHANGES TO CORPORATION TAX AND CAPITAL ALLOWANCES

The main corporation tax rate remains at 25%, and full expensing continues for qualifying plant and machinery. However, the Budget introduces two significant changes for other categories of capital expenditure. From 1 January 2026, a new 40% first-year allowance will apply to expenditure allocated to the main pool, which will benefit a business which is unable to use the existing first-year allowance rules or has already exceeded the annual investment allowance limit. In addition, from April 2026, the main writing-down allowance will be reduced from 18% to 14%, increasing the time it takes for businesses to obtain tax relief on remaining expenditure.

These changes affect assets that do not qualify for full expensing and will be particularly relevant for businesses making substantial ongoing investment in plant and machinery. The Annual Investment Allowance (AIA) remains unchanged at £1 million, with no new restrictions announced.

SUPPORT FOR SMES

The Budget also continues to support businesses through the Small Business Rates Relief (SBRR) scheme. From April 2026, the grace period for businesses expanding into a second property will be extended, allowing businesses to retain their relief for an additional two years. This measure is expected to help SMEs manage costs as they grow, offering more stability during periods of expansion.

INCENTIVES FOR INNOVATION AND GROWTH

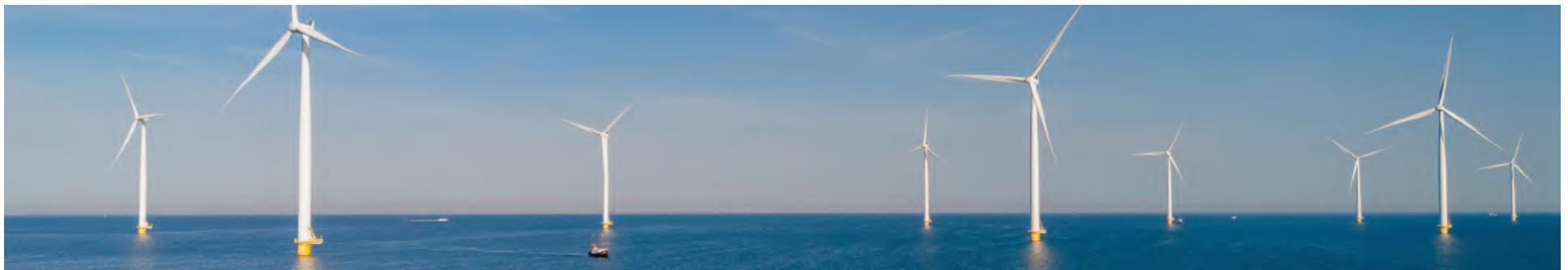
For innovation-driven businesses, the Government has increased the eligibility for the Enterprise Management Incentive (EMI) scheme. From April 2026, companies with up to 500 employees and gross assets of up to £120m will be able to offer tax-advantaged share options to a broader pool of employees. This change will help fast-growing companies attract and retain the talent they need to scale, boosting the UK's entrepreneurial ecosystem.

INCREASED FUNDING FOR R&D

Further support for investment is provided through changes to the UK's venture capital schemes. The Government will raise the annual and lifetime investment limits for both the Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS), increasing the amount of capital that high-growth businesses can access. From April 2026, the rate of upfront income tax relief on new VCT subscriptions will fall from 30% to 20%, aligning it more closely with other reliefs and better balancing the overall package of incentives.

BOOSTING INVESTMENT IN EMERGING SECTORS

In addition to the tax reliefs, the Government is funding a variety of infrastructure and development projects aimed at stimulating long-term growth. This includes £14.5m for industrial projects in Grangemouth and substantial investments in clean energy and advanced manufacturing. These projects are expected to create thousands of jobs and drive economic growth, benefiting businesses across multiple sectors.





SUPPORT FOR BUSINESSES

The 2025 Budget reaffirms the Government's commitment to supporting businesses, particularly SMEs, which are essential to the UK's economic resilience. Several measures have been introduced to foster growth, innovation, and sustainability, including financial reliefs, investment in digital infrastructure, and new incentives for high-potential industries.

Among the most significant announcements is the continued support for business rates. The three-year Transitional Relief scheme, worth £3.2bn, will provide more generous support to businesses facing significant increases in their business rates bills, particularly in sectors like hospitality and retail. These changes aim to ease the financial pressure on businesses that have been hardest hit by the recent economic downturn.

SUPPORTING INNOVATION AND GROWTH IN KEY SECTORS

The Government is maintaining the previously announced £20.4bn public-sector R&D funding for 2025/26, which supports industries such as pharmaceuticals, high-tech manufacturing and clean energy. This continued commitment provides businesses and research organisations with a stable foundation for long-term innovation, which remains central to the UK's industrial and growth strategy.



SIMPLIFYING TAXATION FOR SMES

For smaller businesses seeking to increase their capital investments, the Government has extended the £1m annual investment allowance. It has also maintained the 100% first-year allowances for zero-emission vehicles and electric vehicle charge points. These allowances provide immediate tax relief, improving cash flow and enabling businesses to make necessary investments in sustainable technologies.

DIGITAL TRANSFORMATION AND EFFICIENCY GAINS

In a bid to further ease the administrative burden, the Government is advancing its plans to modernise HMRC's services and improve digital compliance processes. These updates will help reduce the amount of time businesses need to spend on reporting and tax filing. The digital transformation is expected to benefit SMEs by reducing operational costs and enhancing overall efficiency, making compliance easier and less costly.

MILEAGE-BASED TAX ON ELECTRIC VEHICLES

As part of the Government's long-term strategy to address road usage and carbon emissions, a mileage-based tax on electric vehicles (EVs) and plug-in hybrid vehicles will be introduced from 2028. The tax will be set at 3p per mile for electric vehicles and 1.5p per mile for plug-in hybrid vehicles. This new charge is designed to ensure that EV owners contribute to the maintenance of public infrastructure, much like traditional fuel taxes do.

For businesses with electric vehicle fleets or individuals who use EVs as their primary mode of transport, this change could affect their overall tax liability. For example, companies providing EVs as part of employee benefit schemes will need to account for these new taxes when assessing the total cost of providing these vehicles. Additionally, individuals who rely on EVs for personal travel may need to reassess the cost-benefit analysis of owning an electric vehicle versus a traditional combustion engine vehicle.



OTHER BUSINESS MEASURES

- **Low value imports:** From March 2029, at the latest, the duty exemption for overseas parcels worth £135 or less will be scrapped. This helps domestic shops compete against foreign online sellers who've had a tax advantage.
- **Gambling duty:** Online casino duty nearly doubles, rising from 21% to 40% from April 2026. Online betting duty increases to 25% from April 2027, though in-person gambling and horse racing stay at 15%. Bingo Duty will be abolished.
- **Private hire vehicles:** Some ride-hailing apps have been paying less VAT by using a loophole meant for tour operators. That closes on 2 January 2026.
- **Automotive industry:** The automotive industry receives more backing, with the DRIVE35 programme extended and now allocated £4bn to 2035.
- **Electric car investment:** Businesses can continue to claim the full cost of electric vehicles and chargepoints against tax until March 2027. Eligible chargepoints and EV-only forecourts also now qualify for 10-year 100% business rates relief.
- **UK listing relief:** Companies floating on UK stock markets get a three-year exemption from stamp duty on share transfers, encouraging more businesses to go public here rather than abroad.
- **E-invoicing:** From April 2029, businesses must send VAT invoices to other businesses electronically rather than on paper. More details will follow in 2026.

A man with glasses and a beard, wearing a maroon sweater and blue jeans, is sitting on a light green sofa in a modern living room. He is smiling and looking at his smartphone. Behind him is a wooden shelving unit with books, a lamp, and a potted plant. The room is bright and airy.

KEY PERSONAL CHANGES

The Autumn Budget 2025 outlined significant announcements for personal taxes, most notably the freeze on income tax thresholds, National Insurance (NI), and taxes on savings, property, and dividends. These changes are designed to address growing fiscal pressures and raise additional tax revenue.

FREEZING OF INCOME TAX THRESHOLDS

One of the key announcements is the continued freeze on income tax thresholds until 2030/31. This freeze affects both the personal allowance (£12,570) and the higher-rate threshold (£50,270). As wages rise in line with inflation, more individuals will fall into higher tax bands – a phenomenon known as fiscal drag.

By 2029/30, an additional 780,000 people will be paying tax at the basic rate of 20%, 920,000 more will fall into the higher rate of 40%, and 4,000 more will be subject to the additional rate of 45%.

NEW PROPERTY INCOME TAX RATES

From April 2027, the Government will introduce separate tax rates for property income (e.g. rental income), distinct from other income tax bands. The new rates will be:

- 22% for basic-rate taxpayers
- 42% for higher-rate taxpayers
- 47% for additional-rate taxpayers

These changes will impact landlords and property investors, particularly those with larger portfolios or those transitioning into higher tax bands. Landlords with properties generating significant rental income will need to carefully assess the tax implications of these new rates and consider any changes to their portfolio structure in advance.

REDUCTION IN ISA ALLOWANCE

The annual ISA allowance remains at £20,000, but from April 2027, the way this can be allocated between different types of ISAs will change. For individuals under the age of 65, £12,000 will be the maximum amount that can be invested in a Cash ISA, while the remaining £8,000 must be allocated to a Stocks and Shares ISA. This change aims to encourage more investments in stocks and shares, which are generally seen as more effective for long-term growth compared to cash savings, while still allowing for tax-efficient savings.

This adjustment targets higher earners who have typically used Cash ISAs as a primary savings vehicle. These individuals will need to adjust their investment strategies to comply with the new structure, ensuring they allocate more of their ISA allowance to Stocks and Shares ISAs.

CAPITAL GAINS TAX (CGT) RELIEF

Although the Budget does not change the main CGT rates, it does tighten some of the most generous reliefs. From 26 November 2025, the CGT relief on qualifying disposals to Employee Ownership Trusts will be reduced from 100% of the gain to 50%, so half of the gain will become chargeable. In addition, previously announced reforms mean that, from 6 April 2026, gains eligible for Business Asset Disposal Relief and Investors' Relief will be taxed at 18%, in line with the main lower CGT rate, rather than at the older, lower preferential rates.

Together, these measures mean that business owners planning an exit via an EOT or a relief-qualifying share sale are likely to face higher CGT bills than under the previous rules and should factor the new rates and timings into their succession planning.



NATIONAL MINIMUM AND LIVING WAGE

The Government has confirmed that, from April 2026, the statutory minimum wage will rise for all working-age groups. The national living wage, which applies to workers aged 21 or over, will increase from £12.21/hr to £12.71/hr. For younger workers, those aged 18–20 will see their hourly rate rise by 8.5%, from £10 to £10.85, and 16-17-year-olds (and apprentices) will receive £8.00/hr.

SALARY-SACRIFICE PENSION CONTRIBUTIONS

The Budget introduces a cap on the National Insurance (NI) relief available for pension contributions made via salary sacrifice. From April 2029, only the first £2,000 per person per year of such contributions will remain exempt from NI. Any contributions above this threshold will be treated as standard pension contributions and will attract both employee and employer NI at the usual rates. The change is forecast to raise around £4.7bn in 2029/30. Lower- and many middle-income earners who currently sacrifice modest pension amounts are unlikely to be affected, but higher earners and those making large salary-sacrifice contributions will see reduced NI benefits, which may reduce the tax efficiency of pension saving. Implications:

- High earners or business owners using salary sacrifice to maximise pension contributions should reassess their remuneration and pension strategy. The post-2029 benefit may be significantly lower than before.
- Employers offering pension salary-sacrifice as part of remuneration packages may face increased NI costs and might want to review the structure of those benefits.
- For lower- and middle-income individuals, the impact will be limited if total salary-sacrifice contributions stay below £2,000; nevertheless, this highlights the importance of reviewing pension-saving plans ahead of the 2029 change.

HIGHER TAXES ON PROPERTY, DIVIDEND AND SAVINGS INCOME

The tax rate on dividends, property, and savings income is set to increase by two percentage points. For individuals who rely on investment income to support themselves, this will increase the tax burden, particularly those with significant property or dividend income.

NEW COUNCIL TAX SURCHARGE FOR HIGH-VALUE PROPERTIES

From 2028, a new high-value council tax surcharge will be introduced for properties valued at £2m or more. The surcharge will be phased as follows:

- £2,500 per year for properties valued between £2m and £5m
- £7,500 per year for properties valued over £5m

This surcharge is expected to apply primarily to households in high-value property areas such as London and the South East. The changes will directly affect wealthier individuals with substantial property holdings, adding an additional layer of financial planning for those impacted by the surcharge. The surcharge will be paid alongside council tax.

IHT RELIEF

The long-standing exemption allowing transfers between spouses or civil partners remains in place, meaning assets passed between partners are still free from IHT, and any unused nil-rate allowance remains transferable.

However, the 2025 Budget also introduces key changes:

- The annual IHT allowances (nil-rate band and residence nil-rate band) will remain frozen until 2031, meaning more estates may fall into IHT liability as asset values increase over time.
- Agricultural Property Relief (APR) and Business Property Relief (BPR) will be capped at £1m per person, with any unused allowance transferable between spouses or civil partners.
- Additionally, starting April 2027, unspent pension pots will become part of the IHT estate if not drawn. This change will affect retirement planning strategies for those with significant pension savings.



SUPPORT FOR HOUSEHOLDS

While the personal tax changes address individual tax liabilities, several announcements in the Budget focused directly on household support, especially for families, pensioners, and people with disabilities. These measures aim to ease financial pressures, particularly for vulnerable households.

UNIVERSAL CREDIT: REMOVAL OF THE TWO-CHILD LIMIT

A significant change to Universal Credit (UC) will come into effect in April 2026, with the removal of the two-child limit. This change will benefit an estimated 560,000 families, with each receiving an average increase of £5,310 in their benefits. The removal of the cap is expected to cost £3bn by 2029/30 and will significantly reduce child poverty among these families.



PERSONAL INDEPENDENCE PAYMENT (PIP)

The PIP policy, which had initially planned to tighten eligibility criteria for the daily living component, has now been reversed. This change is expected to cost an additional £3.9bn by 2029/30. By maintaining current eligibility thresholds, the decision ensures continued support for individuals with disabilities who rely on PIP for daily living costs.

INCREASED DISABILITY BENEFITS SPENDING

Spending on disability benefits is also expected to increase due to a rise in caseloads. With more individuals seeking support and higher average awards, the Government projects an additional £1.4bn in welfare spending by 2029/30.

SUPPORT FOR ENERGY COSTS

In response to ongoing cost-of-living pressures, especially in relation to energy bills, the Government has implemented measures designed to ease this burden. The budget includes policies aimed at reducing CPI inflation by 0.3% in 2026, partly by lowering household energy bills. These reductions are expected to provide some relief to families facing high utility costs, which have been a major concern in recent years.

RAIL FARE AND NHS PRESCRIPTION FREEZE

The Budget announced a freeze on regulated rail fares in England, marking the first such freeze in 30 years. This means that season tickets, peak-return fares for commuters, and off-peak returns between major cities will not rise next year.

For many households, this translates into real savings: some commuter journeys are likely to cost over £300 less per year than they would have under an inflation-linked fare rise.

The Budget also extended the freeze on NHS prescription charges in England, keeping the fee per item at £9.90 for 2026/27. This freeze also applies to three-month and annual prescription pre-payment certificates, helping to manage costs for people who rely on regular medication.

HOW THESE CHANGES AFFECT HOUSEHOLDS

For households, the combination of higher taxes and increased welfare spending creates a complex financial picture. While many families may experience a higher tax burden, particularly due to the freezing of tax thresholds and increased taxes on savings and dividends, there will be some relief for vulnerable groups.

The removal of the two-child limit in Universal Credit, along with increased welfare payments for pensioners and people with disabilities, will offer substantial financial support to families facing the highest levels of financial hardship.

Meanwhile, the increased NI contributions on salary-sacrificed pensions and the higher property taxes on high-value homes will particularly impact middle to upper-income families.



IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to change in the future. The information in this report is based on our understanding of the Chancellor's 2025 Autumn Budget, and specific implementation details may change once the final legislation and supporting documentation are published.

This document is for informational purposes only and is not intended to provide advice or recommendations. You should not make any investment or financial decisions based solely on the content of this document. Eligibility for pensions and other tax-relief measures depends on individual circumstances.

While considerable care has been taken to ensure the information in this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of the content. Please consult a qualified professional for advice tailored to your specific situation.

 **Talk to us about your finances.**

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