

THE AUTUMN BUDGET

NOVEMBER 2025



INTRODUCTION

After seemingly interminable uncertainty, speculation, and an unprecedented level of leakage, the Chancellor at last presented the Budget on the 26th November.

So, was it really worth all that angst? From a financial planning viewpoint, it's a gallic shrug of the shoulders. Wasn't bad, could have been better.

There were some fairly small **increases to all types of income tax**. Disappointingly, but not unsurprisingly, made via continuing **fiscal drag and piecemeal measures**, rather than any decisive moves to improve the overall design of the tax system. Even the proposed '**mansion tax**' on properties over £2m will sit awkwardly on top of the existing council tax regime, rather than using a fuller review of the 1991 bands to update the tax for a world which is now a third of a century older.

ISAs are set to become a little more complicated again from April 2027, with an arguably pointless **lower cap on cash ISA contributions for under-65s**. And **VCT income tax relief is set to drop from 30% to 20%** next year, reducing the attraction of these vehicles for tax reduction, and potentially reducing much-needed investment flows into earlier-stage/unlisted companies.

No major changes to pensions in terms of tax relief, or the much talked-about Pension Commencement Lump Sum (tax free cash). 2029 will see a **small restriction on the level of National Insurance saving that pension salary sacrifice offers**, but this won't affect the much larger income tax benefits for pension contributions made via salary sacrifice or direct routes.

No significant announcements on the big changes afoot in Inheritance Tax (IHT): namely, the restriction of Agricultural and Business Property Relief from 2026, and the application of IHT to pensions from 2027.

We analyse what these, and other, changes mean for your personal financial planning below. Much of the finer details are yet unknown, and we do recommend that you take time to carefully consider the consequences in discussion with your adviser, rather than make any knee-jerk changes. Please note that these announcements are not yet legislated, but we expect them to be implemented as announced.

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INCOME TAX (ENGLAND & NORTHERN IRELAND)

TAX-TABLE QUICK-TAKE

Band	Income Tier ² (£)	Employment and Pension Income ³	Property and Savings Income ³	Dividend Income ⁴ (%)
Personal Allowance ¹	£0 - £12,570	0%	0%	0%
Basic	£12,571 - £50,270	20%	20% From April 2027: 22%	8.75% From April 2026: 10.75%
Higher	£50,271 - £125,140	40%	40% From April 2027: 42%	33.75% From April 2026: 35.75%
Additional	Over 125,140	45%	45% From April 2027: 47%	39.35% From April 2026: no change

1. Personal Allowance lost by £1 for every £2 income over £100,000; fully lost over £125,140; giving an effective tax rate in this band of 60%. From 2027 the personal allowance will be applied to non-property/savings/dividend first, and then most beneficially elsewhere.
2. Bands frozen until 5 April 2031
3. For savings in excess of the Personal Savings Allowance (£1,000 Basic Rate Tax £500 Higher Rate Tax), and the Starting Rate for Savings (up to £5k), where applicable. Property income will be taxed as a stand alone category of income from April 2027, and will have its own tax-free allowance of £1,000.
4. For dividends in excess of the Dividend Allowance (£500)
5. The order of taxation from Apr27 will be 1. Non-property/savings/dividend income 2. Property income 3. Savings income 4. Dividend income.

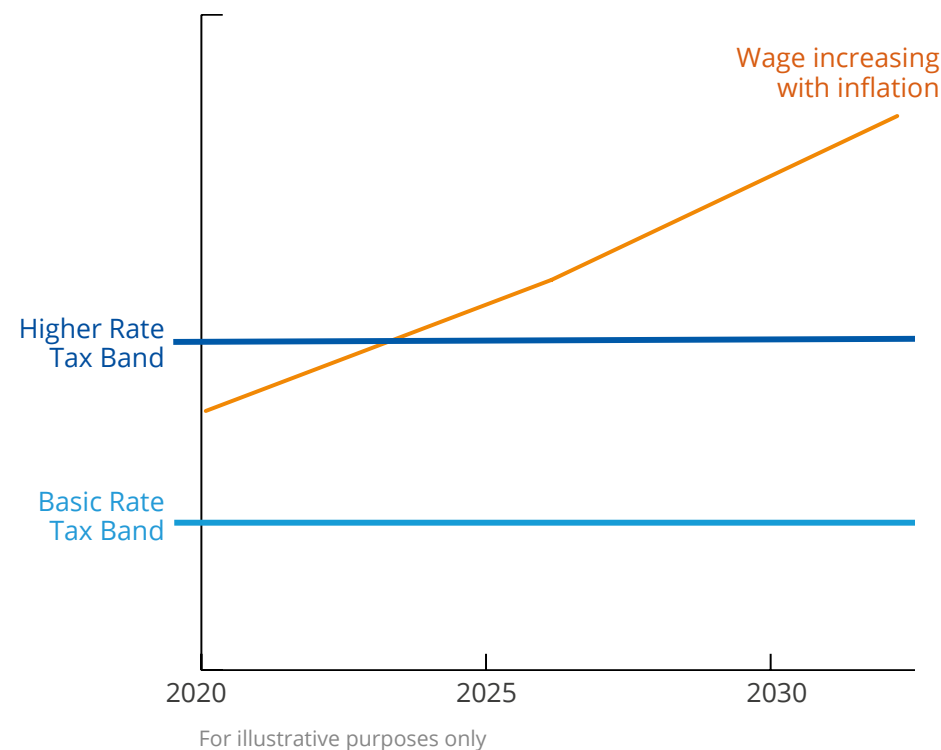
EMPLOYED AND PENSION INCOME: ALLOWANCES AND THRESHOLDS FROZEN UNTIL 2031

Fiscal drag strikes again.

Not uprating personal income tax and National Insurance thresholds and allowances with inflation has long been popular with successive Chancellors as a way to gentle an increase in tax. The previous Conservative government announced a freeze until 2028, and Reeves suggested in last year's Budget that this would not be extended. However, it is clear that she felt rowing back on this was more politically acceptable than overtly breaking the manifesto commitment not to directly increase income and NI taxes.

The impact is felt by taxpayers gradually, but over time the effect is significant.

Rather than a purposeful increase in rates or bands driven by policy research, letting inflation do the heavy lifting over many years is untargeted. Those near the frozen thresholds are, by default, the worst affected as their earnings increase (if only by inflation) and are pulled into tax at the higher level. The resulting effect only increases the uneven and inefficient operation of the income tax system – [see our article on Tax Traps for more details](#).



PROPERTY AND SAVINGS INCOME: RATES TO INCREASE BY 2% FROM APRIL 2027

Income from property will be split out from other non-savings income (earnings and pensions) to become its own separate category of income from 2027, with a £1,000 tax-free allowance available. This split will enable rates to be increased by 2% for all bands.

Similarly, income from savings (for example, interest income from cash savings accounts, corporate/government bonds or unit trust/OEICs) will be subject to the same 2% rise. The personal savings allowance of £1,000 for basic rate taxpayers and £500 for higher rate taxpayers will remain.

The credit for internal life company corporation tax will also increase to 22%. Investment bonds will remain a relatively popular route for tax mitigation and deferral, depending upon personal circumstances.

DIVIDEND INCOME: BASIC AND HIGHER RATES TO INCREASE BY 2% FROM APRIL 2026

The 2% increase will be applied here from next April. Interestingly, the rise will not apply for dividend income falling into the additional rate tax band. The £500 dividend allowance will remain.



INHERITANCE TAX (IHT)

ALLOWANCES & THRESHOLDS FROZEN UNTIL 2031

The IHT nil rate and residence nil rate bands have been previously frozen until April 2030, and this freeze was extended a further year until 2031, to match the freeze on income tax thresholds above. For context, the nil rate band has now been frozen since 2009.

IHT ON PENSIONS FROM 2027

This previously announced change in policy, which will affect many clients' planning, will be going ahead. From April 2027, unused pension funds and death benefits will be added into the estate for Inheritance Tax purposes.

There are two questions this raises for your planning:

Does this impact your potential legacy to the point at which you want to undertake additional planning to reduce the tax burden?

Are your pensions and legacy estate instructions set up in such a way that the tax can be paid on time and with minimal headaches for your loved ones?

[Read our article, which delves into the details, here.](#)

CHANGES TO AGRICULTURAL AND BUSINESS PROPERTY RELIEFS IN 2026

Again, these previously announced changes will be going ahead.

From April 2026, only the first £1m of agricultural and/or business property (combined total) will benefit from 100% IHT relief (i.e. zero IHT). Beyond this point - and for all AIM shareholdings - the relief is restricted to 50% (i.e. a 20% IHT rate).

However, any unused reliefs will now be allowed to be transferred between spouses, in some measure, to mitigate the impact on business and farm owners.



PENSIONS

There were no changes to pension income tax relief, or the much-panicked-about Pension Commencement Lump Sum (tax-free cash).

There was a small change of interest to those who may use salary sacrifice schemes for future pension savings. **Nothing, though, to markedly affect the continuing attraction of the pension wrapper as a long-term savings tool for most savers.**

PENSIONS SALARY SACRIFICE:

NO NATIONAL INSURANCE CONTRIBUTION (NIC) SAVINGS FOR SACRIFICE OVER £2K FROM 2029

Contributions via salary sacrifice above £2k can still be made, however, these will be subject to employer and employee NI in the same way as for non-sacrificed pay. In practice, these rising costs will again fall more heavily on employers, who pay NICs at 15%, than to employees, who pay NIC at 8% (basic) and 2% (higher) rates.

Employers will be responsible for making the NI adjustments, not effective until April 2029 to give time for systems to be changed.

Pension income tax relief still applies in full to all contributions (whether via salary sacrifice above or below £2k, or direct pension contributions). [See our Research Note on Pension Contributions for a comprehensive overview of the tax rules.](#)

All pension contributions, sacrificed or not, therefore remain a valid method of reducing the effect of 'tax traps', for example around the loss of Child Benefit above £60,000 and loss of the personal allowance above £100,000. [See our article here.](#)

All employer pension contributions will continue to be free from NI. Guidance will be published in due course. It will be interesting to see exactly how HMRC plans to tell the difference between employer vs. sacrificed contributions, especially for smaller business owners.

ISAs

CASH SAVINGS WITHIN ISAs: MAXIMUM REDUCED TO £12K FROM APRIL 2027, EXCEPT FOR OVER-65s

In what seems like the most pointless complication (yes that should be a word) in some time (and it's up against some stiff competition), the limit on the amount which can be invested in cash within an ISA will be reduced to £12k from April 2027, but only for under-65s. Exactly how this will be administered and monitored is unclear.

The overall ISA limit of £20,000 remains unchanged, and you are still able to put as much of that into stocks and shares as you wish. This includes near-cash funds such as money market and gilt funds, should you wish. [See our article for the current year rules, which remain unchanged.](#)

At present you can split your ISA investments between cash and stocks & shares, and between providers, as you wish (subject to the provider's own rules, and specific rules for LISA and JISAs). Delightfully simple and flexible, and exactly what is needed to encourage savings of all types - and it took some years of rule changes to reach that point.

However, Reeves has now deemed that under-65-year-olds are unable to decide the level of investment risk which is best for them within an ISA. Hence, new ISA contributions into cash can be no more than £12,000 of the £20,000 total, lest you lose out on some long-term market returns (regardless of your actual investment timescale and risk profile).

Most savers do not get anywhere near investing even £12,000 into ISAs each year, and so this change is unlikely to have much, if any, effect on overall stock market savings. It is true that investors generally tend to hold 'too much' in cash and so miss out on better potential long-term returns. But the best way to change investing behaviour is surely through education rather than dictation.

As a reminder, non-cash savings also benefit from a 0% personal savings allowance of £1k (basic rate taxpayers) or £500 (higher rate taxpayers). There is also a 0% starting rate for savings income up to £5k, if other income is low (below £17,570). So, a saver with no other income can earn interest of up to £18,570 tax-free, before even starting to shelter funds within an ISA. Those with significant long-term cash holdings could look at the potential use of investment bonds to reduce tax.

LIFETIME ISAs: REPLACED WITH A 'SIMPLER' ALTERNATIVE, AFTER A REVIEW IN 2026

Simpler? We shall see. Hopefully more effectively targeted though - is it a product to help first time buyers, or a product to help retirement savings? At the moment it's not really either - the £450,000 price cap has not been increased since its introduction in 2017, and the product doesn't work particularly well as a more flexible way for saving for retirement, given the additional penalties on early withdrawal. So, good news that it is finally being looked at, and watch this space next year for more details.

In the meantime, rules for ISA contributions in this current tax year remain unchanged, [download our full guide on ISAs here.](#)

EIS AND VCTS:

VCT INCOME TAX RELIEF TO FALL TO 20% FROM APRIL 2026

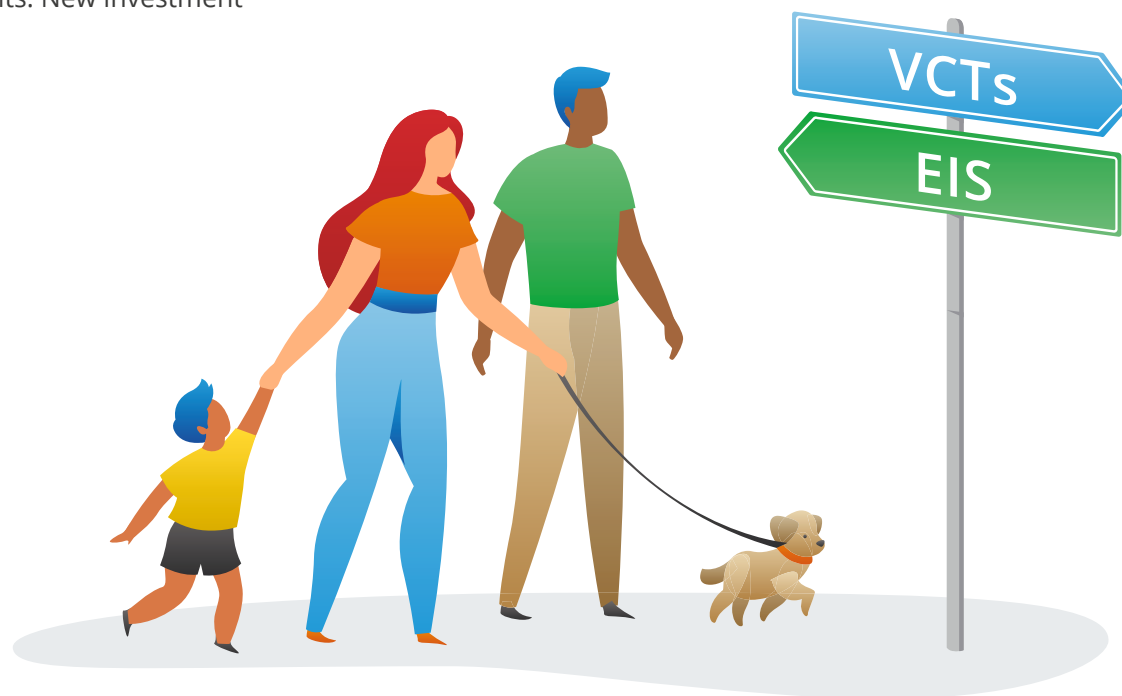
Companies will now be able to raise a larger amount via VCT and EIS investments from April 2026, recognising the positive effect these tax reliefs have on encouraging early-stage investment fund raising, and giving more leeway for funds to remain invested for the longer term.

However, this positivity was somewhat confusingly offset by an **unexpected decrease in the income tax relief available for new VCT investments**, from 30% at present to 20% also from April 2026.

Investors who are currently considering new VCT investment may want to look at whether they should invest before the end of this tax year.

Those looking at new VCT investments in the future might find that the lower tax relief is not necessarily enough to compensate for the risk, cost and relative illiquidity of these investments. New investment flows may well reduce as a result.

Relief for EIS investment will remain unchanged at 30%.



HIGH VALUE COUNCIL TAX SURCHARGE: FOR £2M+ PROPERTIES FROM APRIL 2028

A new tax will be **payable by homeowners (rather than occupiers)**, in addition to Council Tax, from 2028. The charge applicable will depend upon the band into which the property is placed and will be uprated by inflation each year. The Valuation Office will be conducting a limited valuation exercise to identify and value such properties.

The charge and any reliefs and exemptions will be subject to public consultation next year.



Property Value	Annual Charge
£2m-£2.5m	£2,500
£2.5m-£3.5m	£3,500
£3.5m-£5m	£5,000
£5m+	£7,500

PPF AND FAS MEMBERS: PRE-1997 PENSION BENEFITS WILL BE UPLIFTED BY INFLATION

Members of the Pension Protection Fund or the Financial Assistance Scheme will now be able to receive inflation-linked pension increases (up to 2.5%) on pre-97 benefits, where the original scheme provided for this. This aligns payment rules with post-97 benefits. It is estimated this will benefit over quarter of a million members, most likely from January 2027.

KEEP CALM AND CARRY ON PLANNING

As ever, we do not recommend that tax planning alone drives your decisions. A successful financial plan is a result of many factors, and small fluctuations in overall tax rates should not change the overall direction of your plan. It is only sensible, of course, to plan to minimise tax where that fits with your overall planning.

A cohesive and sustainable financial plan is centered around you and your goals throughout your lifetime. It is built to adapt to the vagaries of governments and markets. Naturally, you must continue to review and adapt along the way, but the central driver here is the personal not the political. Please do contact us to discuss any concerns you may have.

Book your free initial call





Important information: Our views are based upon our understanding of current legislation in England, unless stated otherwise. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances.

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