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Market View
Autumn Budget: Taxing times ahead – Our view on the policy changes

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Date 28 November 2025

Reading time 11 minutes

At a glance

The 2025 Autumn Budget has refocused attention on the planning landscape.

Measures will be introduced incrementally over the next few years.

Our Wealth Planning team assess the potential outcomes for individuals, families and entrepreneurs.

After weeks of frenzied speculation, leaked forecasts and mounting suspense, the 2025 Autumn Budget unfolded in a manner unlike any in recent memory. In an ironic twist, by the time Chancellor Rachel Reeves rose to deliver her speech in the House of Commons, the substance of her announcements was already widely known – transforming what is traditionally a key moment of political theatre into more of a formality than a revelation. Yet, beneath the headlines, a succession of policy shifts and tax measures have been announced that will bring changes to the planning landscape in the coming years.

All in all, a further £26 billion in tax rises were announced to go along with the £40 billion in tax increases from the October 2024 Budget. The outcome is a drip-by-drip set of tax measures that will be introduced over the next few years, which will result in the majority of the population paying more taxes.

Timeline of legislative changes

Scroll through to see the next four years of changes

From 6 April 2024

- Lifetime Allowance (LTA) abolished and replaced with Lump Sum Allowance (LSA), Lump Sum & Death Benefit Allowance (LS&DBA) and Overseas Transfer Allowance (OTA)
- VAT on private school fees introduced on 1 January 2025
- Lifetime limit for gains qualifying for Investor's Relief realised after 30 October 2024 reduced to £1 million

From 6 April 2025

- Abolition of remittance basis regime and introduction of "Foreign Income & Gains" (FIG) regime
- UK Inheritance Tax (IHT) "tail" extended to 10 years for individuals classed as "Long Term Resident" (i.e., UK tax resident for 10 of the last 20 tax years)
- 50% of gains realised from selling a business to an Employee Ownership Trust (EOT) will be exempt from CGT (from 26 November 2025 onwards)
- CGT on gains qualifying for Business Asset Disposal Relief (BADR) and Investor's Relief (IR) increased to 14%, and CGT on carried interest increased to a single rate of 32%

From 6 April 2026

- Introduction of combined £1 million limit per individual for Business Property Relief (BPR) and Agricultural Property Relief (APR). Allowance transferable between spouses
- Additional 2% income tax rate increase on dividends in all bands (10.75% basic rate, 35.75% higher rate and 39.35% additional rate)
- CGT on gains qualifying for Business Asset Disposal Relief (BADR) and Investor's Relief (IR) increased to 18%

Economic outlook

The Office for Budget Responsibility (OBR) forecasts UK GDP will grow by 1.5% in 2025 – a noticeable upgrade from the 1% anticipated at the time of the Spring Statement. Growth is projected to average 1.5% per year through to 2030. Headline inflation will remain higher for longer than previously forecast, at 3.5% in 2025, and will dip to 2.5% in 2026, while productivity growth lags prior expectations. National debt stands at £2.6 trillion, over 83% of GDP, and the tax burden, which is a measure of the tax collected relative to the size of the economy, is set to hit a historic high of 38.3% of GDP by 2030/31. Economic growth is needed to lower the burden.

Year	GDP (%)	Inflation (%)	Tax Burden (% GDP)
2025	1.5	3.5	36.6
2026	1.4	2.5	36.8
2027	1.5	2.0+	37.2

2028	1.5	—	37.7
2029	1.5	—	38.1
2030	1.5	—	38.3

The OBR's revision of 2025 growth figures from 2% down to 1% at the time of the Spring Statement earlier this year, had meant that the Chancellor's fiscal buffer, built up from the October 2024 Budget, had all but evaporated. The upwards revision of the 2025 figures as the Chancellor headed to Parliament provided some much-needed wiggle room. Nonetheless, by choosing to increase taxes further, Reeves has now increased her fiscal 'headroom' to £22 billion, which should provide some insulation against weak economic growth data. The expectation will now be that the Autumn 2026 Budget should not see a repeat of the frenzied speculation that we have witnessed leading up to last year's and this year's Budgets.

Key personal tax changes

1. Thresholds and fiscal drag

- **Personal Allowance and National Insurance (NI) bands:** The so-called 'stealth taxes' will see a freeze on income tax and NI thresholds, which has been extended by another three years to April 2031, accelerating fiscal drag as more people move into the higher rate tax band over time.
- There was no change to the cliff edge income threshold of £100,000, at which the Personal Allowance starts to taper off at a rate of £1 for every £2 of income above £100,000. The additional rate tax threshold also remains unchanged and frozen at £125,140. Additional rate taxpayers currently pay income tax at a rate of 45% on earnings, pension and savings and, at a rate of 39.35% on dividends.

Illustrative impact:

Year	Personal Allowance (£)	Higher Rate Threshold (£)	% of Earners in Higher Bands*
2024	12,570	50,270	14
2025	12,570	50,270	17

2028	12,570	50,270	20
2031	12,570	50,270	23

Source: Tax Policy Associates

The freezing of the tax bands and the planned increases to savings and dividends rates of taxes means that now, more than ever, it is essential for individuals to maximise tax allowances and reliefs where they have them available. This should include maximising stocks & shares ISA allowances every year and, for married couples, ensuring that they review their respective tax bands, utilise the personal allowance and basic rate tax bands available to them as a household.

Transfer of assets between spouses can be done on a 'no gains, no loss' basis ensuring that there is scope to plan in a very straightforward and tax efficient manner for married couples. Likewise, for those with earnings just above the £100,000 income threshold at which the personal allowance will be tapered, pension contributions and/or charitable donations remain a tax efficient strategy to reduce adjusted income below the £100,000 threshold, thereby regaining the personal allowance back.

2. Tax rate increases for property, savings and dividends

- Dividend income: From April 2026, ordinary and upper rates rise by two percentage points to 10.75% and 35.75% respectively. Additional rate remains at 39.35%.
- Property income: From April 2027, newly separated property income tax bands are introduced – 22% (basic), 42% (higher), 47% (additional). Mortgage interest rate relief will align with the property basic rate.
- Savings income: From April 2027, rates rise by two points to 22% (basic), 42% (higher), and 47% (additional).
- Allowances remain: £1,000 property allowance, £1,000/£500 personal savings allowance for basic/higher rate taxpayers and £500 dividend allowance are all unchanged.

Income Type	Rate 2025/26	From April 2026	From April 2027
Dividend – Basic	8.75%	10.75%	10.75%
Dividend – Higher	33.75%	35.75%	35.75%
Dividend – Additional	39.35%	39.35%	39.35%

Property – Basic	20%	20%	22%
Property – Higher	40%	40%	42%
Property – Additional	45%	45%	47%
Savings – Basic	20%	20%	22%
Savings – Higher	40%	40%	42%
Savings – Additional	45%	45%	47%

Allowance ordering changes:

- From April 2027, the Personal Allowance of £12,570 will automatically be set against employment, trading or pension income first before property, savings and dividends. This would ensure more people incur the newly introduced increases to savings and dividends tax rates rather than set these income sources against their Personal Allowance.
- The 2% increase, set to be introduced to dividends tax from April 2026, also brings back into focus the need to consider the merits of pension contributions as a tax efficient means of extracting profits from business tax efficiently.

3. Venture capital, investment, UK-listed businesses and Employee Ownership Trust

The Government announced measures to widen company and employee eligibility of Enterprise Management Incentives (EMI) schemes, in an attempt to further support growth and scaling of businesses.

VCT & EIS: Investment limits are set to expand further, deepening backing for later stage and larger AIM-listed UK companies. Current-year investments in Venture Capital Trusts (VCTs) will be particularly valuable ahead of the planned drop in upfront income tax relief from 30% to 20% in April 2026.

Three-year stamp duty exemption for UK listings will support homegrown initial public offerings (IPOs) and public market investment.

Employee Ownership Trusts (EOT) and Business Asset Disposal Relief: The 2024 Autumn Budget introduced reforms to prevent avoidance in the use of Employee Ownership Trusts when selling a business and to ensure a continued focus on genuine employee ownership. The Government has now announced further changes to the EOT legislation.

From 26 November 2025, only half of the gain on a disposal to an EOT will be relieved from capital gains tax (CGT) immediately, with the remainder deferred until the EOT disposes of the asset.

Under changes already announced in the 2024 Autumn Budget, the CGT rate applicable on the disposal of shares where the individual qualifies for Business Asset Disposal Relief or Investors' Relief will increase from 14% to 18% in April 2026.

4. Business Relief (BR) and Agricultural Relief (AR)

BR and AR have enabled generational succession of family businesses and farms for over 30 years.

2024 Autumn Budget: Capped 100% relief at £1 million per individual; trusts share the cap if created after 30 October 2024; excess over £1 million receives 50% relief (20% IHT), gifts post-October 2024 are also "caught" if donor dies post-April 2026 within seven years. The £1 million per estate cap will be frozen until April 2031, after which it will be increased in line with inflation.

2025 Autumn Budget concession: From April 2026, any unused part of an individual's £1 million cap can be transferred to their spouse/civil partner, giving couples a combined £2 million exempt allowance at 100% relief. This is a much-welcomed concession for those looking to transition family businesses to future generations.

For individuals with assets that qualify for BR or AR, such as shares in a private company or working farms, there remains a window prior to April 2026 to consider the merits of succession planning before the £1 million cap per estate is introduced. Specialist tax and legal advice would be required in the majority of instances.

Read more here, document produced following 2024 Budget summarising: Navigating the upcoming changes to APR and BPR.

5. Other key measures

Pensions: From April 2026, the new state pension will rise 4.8% from £230.25 per week to £241.30 per week, impacting those who reached state pension age after April 2016. The old state pension increases from £176.45 to £184.90, which impacts those who reached state pension age before April 2016.

From April 2027, any remaining unused pension fund on death (except to spouse) counts towards the estate for IHT. Personal representatives may ask pension scheme administrators to withhold up to 50% of taxable benefits towards paying the IHT liability.

ISA reform (from April 2027): Cash ISA limit for under-65s cut to £12,000 (overall ISA limit unchanged, over-65s unaffected).

Salary sacrifice: From April 2029, employer/employee NI will be charged on pension salary sacrifice contributions above £2,000 per annum.

High value council tax surcharge ("Mansion Tax"): Introduced from April 2028 for properties valued over £2 million, starting at £2,500/year – rising to £7,500 for properties over £5 million.

Pension funds will remain tax-free on withdrawal to beneficiaries where death occurs before the age of 75, whereas when death occurs after the age of 75, they will be subject to income tax on withdrawal in the hands of the beneficiary. From April 2027 onwards, those approaching or above the age of 75 who are yet to take their tax-free lump sum, should consider the merits of doing so, given the death benefit changes and the fact that unused pension funds become subject to IHT. More broadly, the pension changes also necessitate the need to review beneficiary nominations to ensure they continue to remain suitable and meet objectives.

The proposed council tax surcharge would disproportionately impact those who live in London and the South East. The OBR has estimated that this measure will raise £400 million for the Exchequer but it remains to be seen if the tax revenue will outweigh the difficulty of implementing this complex legislation.

Conclusion

While this year's Budget may not have been a blockbuster, it firmly caps a series of tax rises set in motion by earlier fiscal events. The cumulative effect is clear: virtually every individual is facing either higher taxes now or further rises in the coming years. With each April bringing the phased introduction of yet more changes announced across multiple Budgets, the importance of forward planning and regular review has never been greater. Navigating this growing "alphabet soup" of tax changes now demands ongoing attention to structuring, maximising relief and allowances to ensure individuals remain as tax efficient and resilient as possible in the evolving landscape.

Glossary/Definitions:

EMI: An Enterprise Management Incentive (EMI) is a tax-advantaged share option scheme for eligible small and medium-sized companies to motivate key employees by granting them options over company shares at a fixed price, with no income tax or NI on exercise if conditions are met. From 6 April 2026, Autumn Budget 2025 reforms will expand eligibility by quadrupling the gross assets limit to £120m, doubling the employee count to 500 and option pool value to £6m, and extending the exercise period to 15 years.

EOT: An Employee Ownership Trust (EOT) is a trust structure that holds a controlling interest in a trading company for the long-term benefit of its employees and can provide selling shareholders with favourable capital gains tax treatment when qualifying conditions are met. Following the 2025 Budget, from 26 November 2025 only 50% of the gain on a qualifying disposal of shares to an EOT will benefit from CGT relief, with the remaining 50% taxed at the applicable CGT rate.

EIS: In the UK investment market, an Enterprise Investment Scheme (EIS) is a government-backed scheme that encourages investment in small, high-risk unlisted companies by offering investors 30% income tax relief on qualifying investments, subject to annual limits and conditions.

VCT: A Venture Capital Trust (VCT) is a publicly listed investment company that backs small, higher-risk UK businesses and offers investors income tax relief on new VCT share subscriptions. From 6 April 2026, the upfront VCT income tax relief is scheduled to reduce to 20% on qualifying investments, subject to the usual holding period and other conditions.

Salary Sacrifice: Salary sacrifice pension contributions let an employee agree to reduce their gross salary or bonus and have the employer pay the same amount into their pension instead, so that the sacrificed amount is treated as an employer contribution and normally not subject to employee NI, while still benefiting from income tax relief within the usual limits. From April 2029, the NI saving on this will be capped so that only the first £2,000 per tax year of pension contributions made via salary sacrifice will be exempt from NICs, with any salary sacrifice above £2,000 treated like normal employee pension contributions and subject to employer and employee NICs.

Sources:

Office for Budget Responsibility – Economic and fiscal outlook