



2025 Autumn Budget

A summary of the headline
announcements

The Autumn Budget 2025 arrived amid extraordinary circumstances with the Office for Budget Responsibility's (OBR) full forecast and fiscal analysis being released before the official Budget speech. This was an unprecedented error which revealed many of the Chancellor's measures before she stepped up to give her address.

The Deputy Speaker, Nusrat Ghani, even made a statement to reiterate the importance of the Ministerial Code and, in particular, of not briefing the media on policy changes before details are finalised within Government and confirmed via the official channels.

We set out below a summary of the key tax changes announced.

To discuss any of the changes covered in this summary, please make contact with your usual George Hay adviser, or our Tax Partner Barry Jefferd.

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Income Tax

Income Tax thresholds

The Government has confirmed that the Income Tax thresholds, previously frozen until 2027/28, will now be frozen until 2030/31 – an additional three years.

- Basic rate taxpayer £12,570
- Higher-rate taxpayer £50,270
- Additional-rate taxpayer £125,140

It should be noted that there is a general election due to take place in 2029 and any new Government is not bound by these proposals.

Dividends

The first £500 of dividend income remains tax-free, but the rates of tax charged on amounts received above that will increase from 6 April 2026 as follows:

Tax band	6 April 2025–05 April 2026	6 April 2026–5 April 2027
Ordinary rate	8.75%	10.75%
Upper rate	33.75%	35.75%
Additional-rate	39.35%	39.35%

GH comment

Even when dividend rates go up, for a number of reasons incorporation may still be beneficial – for example, control over the timing of income. The advantage may be reduced, but not altogether lost.

National Insurance

NIC thresholds

The measure to freeze the Income Tax thresholds until 2030/31 also maintains the National Insurance Contributions (NICs) Primary Threshold (PT) and Lower Profits Limit (LPL) at £12,570 until April 2031.

The NICs Upper Earnings Limit (UEL) and Upper Profits Limit (UPL) will be maintained at £50,270 and the Upper Secondary Threshold and Apprentices Upper Secondary Threshold will also stay fixed at £50,270 per annum until April 2031, to remain aligned with the UEL and UPL.

Pensions contributions via Salary Sacrifice

The Chancellor announced that salary sacrifice pension contributions exceeding £2,000 per annum will face both employee's and employer's National Insurance (NI) from 6 April 2029. This means that contributions above this cap will be treated as normal employee contributions for the purposes of taxation.

The fact that the measure will not come into effect until April 2029 means there is time for payroll software to be updated, and for any new processes to be adopted.

GH comment

Employees in an auto-enrolment scheme who are making the minimum percentage contributions, and earning less than £40,000, will not be affected. It is also worth noting that employees who choose to sacrifice salary to receive tax-free childcare or child benefit can continue to do so, where applicable.

Inheritance Tax (IHT)

Nil-Rate Band and Residence Nil-Rate Band

The Government has confirmed that the Nil-Rate Band (NRB), and the Residence Nil-Rate Band (RNRB) will be fixed until 2030/31, as follows:

- Nil-Rate Band £325,000
- Residence Nil-Rate Band £175,000

GH comment

The IHT Nil-Rate Band of £325,000 was set at that amount on 6 April 2009 – since that time the average house price in the UK has risen by approximately 75%. Alongside this, when you consider that unused pension funds will be brought within the scope of IHT from April 2027, many more people are going to be dragged into the IHT net.

Agricultural Property Relief and Business Property Relief

The Autumn Budget announced that the £1 million allowance for 100% Business Property Relief (BPR) and Agricultural Property Relief (APR) will be fixed until 5 April 2031. There was a change in measures previously announced in that any unused portion can be transferred between spouses and civil partners.

GH comment

This is only a small change to what was an extremely unpopular amendment to come from last year's Budget. Protests against the changes continue, with a tractor protest going on even as the Chancellor made her way to Parliament to deliver her 2025 Autumn Budget.

Personal savings and investments

Interest on savings

The Chancellor confirmed that the rate of tax payable on savings interest will increase. Currently, tax is charged at your usual rate of income tax but will rise by 2 percentage points from 6 April 2027.

Tax band	Present-5 April 2027	6 April 2027-5 April 2028
Basic rate	20%	22%
Higher-rate	40%	42%
Additional-rate	45%	47%

ISA Allowance

From 6 April 2027, changes to the Individual Savings Account (ISA) allowance will take effect. Whilst the £20,000 limit will remain, £8,000 of this will now be designated exclusively for investment purposes, and £12,000 will remain as a cash allowance.

For individuals aged 65 and over, the full £20,000 cash allowance will remain in place.

GH comment

The Government hopes to boost growth by encouraging people to invest more, shifting money from low-risk cash ISAs to higher-risk stocks and shares ISAs. It remains to be seen whether individuals will accept this higher-risk or just save up to the new £12,000 limit in their Cash ISAs. Unfortunately, this announcement serves to make the rules associated with ISAs more complex.

Employee Ownership Trusts (EOTs)

The Capital Gains Tax (CGT) relief currently afforded to company owners selling their shares to Employee Ownership Trusts will be cut, with immediate effect, from 100% to 50%.

Property Taxation

High-value properties

The Government has announced a new recurring annual charge on homes valued above £2 million, as identified by the Valuation Office and based on 2026 valuations. It will only apply to properties in England.

The charge will be introduced from April 2028, via the 'high-value council tax surcharge' which will be collected alongside existing council tax liabilities. It will be payable by the owner and not the tenant.

Surcharge band	Property value	Annual surcharge
Band 1	£2m - £2.5m	£2,500
Band 2	£2.5 - £3m	£3,500
Band 3	£3m - £5m	£5,000
Band 4	£5m+	£7,500

GH comment

Interestingly, the revenue raised by the new 'mansion tax' will flow into central Government and not local authorities as is the case with amounts collected via standard council tax.

Tax on rental income

From 6 April 2027, the rates of property income tax payable will increase by 2 percentage points, which means rental income will no longer be taxed at your usual rate of income tax.

Tax band	Present-5 April 2027	6 April 2027-5 April 2028
Basic rate	20%	22%
Higher-rate	40%	42%
Additional-rate	45%	47%

Finance cost relief will be provided at the separate property basic rate (22%).

GH comment

Purchasing property via a limited company can still be a beneficial option for those looking to invest, but it requires careful and thorough tax-planning that takes into consideration the various different taxes and associated costs. Due to the complexity of this area, we would always recommend that you seek professional advice before making any purchases.

Corporation Tax

Corporation Tax rates

Corporation Tax rates – the tax a company pays on its profits – remain unchanged for 2026/27, and are as follows:

- Profits below £50,000 19%
- Profits £50,000–£250,000 26.5% (in most cases)
- Profits above £250,000 25%

Note: The above profit thresholds are divided by the number of associated companies.

Capital Allowances

The Government confirmed that permanent full expensing for companies will continue. The Annual Investment Allowance (AIA) also remains, giving 100% relief on up to £1m of qualifying spend for all businesses, including those who are unincorporated.

From 1 January 2026, a new 40% First-Year Allowance will apply to main-rate assets not covered by full expensing or the AIA, bringing the leasing sector into scope. Cars, second-hand assets and overseas-leased assets do not qualify.

The Writing Down Allowance main rate will drop from 18% to 14% from April 2026, mainly affecting assets that don't qualify for full expensing, such as assets for leasing, second-hand assets or cars.

The 6% Writing Down Allowance for special rate pool assets remains.

GH comment

The capital allowances measures are broadly beneficial for many businesses, but some industries stand to benefit more than others. For the most part, businesses investing in main-rate assets can continue to plan for long-term, large-scale investment with some confidence. Those relying on leased or second hand assets may need to be a bit more careful, as the new FYA only provides partial relief.

HMRC & Compliance

HMRC has recently committed to an expansion of its compliance efforts, and has already recruited an additional 5,000 compliance officers, in a drive to close the “tax gap”.

With increased headcount, modernisation of its systems, improved data-collection and a focus on high-risk areas, HMRC hopes to recoup unpaid taxes and prevent non-compliance before it happens.

GH comment

With this knowledge, it will be interesting to see whether this translates into more compliance checks across the board, in all areas of taxation.

Business measures

National Living Wage

Measures in the Budget increase the National Living Wage from April 2026, by 50 pence per hour, taking it from £12.21ph to £12.71ph. The increase is worth approximately £1,020 for a full-time eligible worker.

For 18–20 year-olds, the rise will be 85 pence per hour, taking the hourly rate from £10.00ph to £10.85ph. The Government’s intention, eventually, is to scrap the separate rates to create a single minimum wage rate for all adults.

The minimum hourly wage for 16–17 year-olds and apprentices during their first year of apprenticeship will also increase from April 2026, to £8.00ph from £7.55ph.

GH comment

These increases are above inflation, and will add to businesses’ costs significantly.

Electric Vehicles (EVs)

Mileage

A new mileage-based charge for electric (3 pence per mile) and plug-in hybrid vehicles (1.5 pence per mile) is set to come into effect in April 2028. Under this scheme, drivers will pay a fee for each mile driven, in addition to the existing Vehicle Excise Duty (VED).

The Government is currently consulting on the details as to how the eVED system will work, with the consultation period open until March 2026.

Capital Allowances

The First-Year Allowance for Zero emission vehicles (ZEV's) and charge points has been extended to 31 March 2027 for corporation tax and to 5 April 2027 for income tax purposes.

This scheme allows businesses to deduct the full cost of qualifying purchases from their taxable profits in the first year, providing an immediate tax advantage.

To qualify, ZEVs must be brand new and unused, though a limited number of miles for testing or delivery is permitted. Eligible vehicles include fully electric cars or hydrogen fuel cell vehicles with zero CO2 emissions, while hybrids do not qualify.

Company Car Tax – Plug-in Hybrid Electric Vehicle (PHEV) tax easement

The UK Government will introduce a temporary PHEV tax easement from April 2026 to April 2028 to soften the impact of higher Company Car Tax (BiK) rates caused by the stricter Euro 6e-bis emissions test. Many PHEVs could otherwise see monthly BiK bills double.

The easement gives manufacturers and drivers time to adjust. From April 2028, PHEVs will face a flat 18% BiK rate and standard vehicle excise duty, with no reductions for low emissions.

GH comment

Although EVs are still likely to be the more beneficial option for your business, the financial attractiveness is diminishing.

Business Rates reforms

The Government has set out its policy to rebalance the burden of business rates, with the introduction of a £4.3bn support package.

The package outlined included confirmation of the new lower multipliers for retail, hospitality and leisure properties with a rateable value of under £500,000, which based on the 2026/27 multiplier will result in these properties paying a lower tax rate than they currently do. Increases to the most rateable properties were also confirmed to sustainably fund these provisions.

The package also includes a supporting small business scheme which aims to cap the increases seen by those size entities which may be losing all of their small business rate relief or rural rate relief.

GH comment

The reforms to business rates were long overdue and the details now released are welcomed and should assist small to medium sized businesses. However, a rise in valuations may make the actual total higher.

Final thoughts

The Autumn Budget 2025 reflects the Government's deliberate strategy to broaden the tax base and shift more of the burden onto wealth, assets and non-employment income – through measures such as increasing taxes on dividends, savings and property income, and introducing a new levy on high-value homes.

For clients relying on rental income, dividends, savings, or for those owning higher-value property, the Budget reinforces the importance of proactive tax planning and reviewing strategies regularly.

The Government has retained some mitigations (for example, maintenance of allowances and ISAs), which may soften the blow for smaller investors and lower earners.

We will keep you up to date with any further details as they come to light and welcome any questions you might have as a result of the Chancellor's speech.

Resources

[Autumn Budget 2025](#)

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