# Autumn Budget 2025

## Private Client Tax Summary

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# Our Initial Reaction

After weeks of speculation, leaks, and even an accidental early release by the Office for Budget Responsibility (OBR), Chancellor Rachel Reeves has now delivered the 2025 Autumn Budget.

## Tax Changes and Projections

The Chancellor's package introduces a range of tax changes which, according to the OBR, are expected to raise an additional £26 billion in taxes by 2029–30, offset by £9 billion in increased spending.

The OBR projects that, if all goes to plan, the UK will boast a strong balance sheet by 2030 with a £22 billion surplus.

That would be a welcome outcome, but with much of the improvement backloaded, expenditure still outstripping revenue for now, and no guarantee the government will stick to its fiscal targets, there's plenty of room for scepticism.

## Key Revenue Measures

So, in the meantime how does the government plan to collect that £26 billion?

The biggest revenue-raiser is the extension of the freeze on income tax and National Insurance thresholds until April 2031, expected to bring in around £8 billion.

This "stealth tax" first deployed by the Conservatives and now continued by Labour quietly increases tax receipts without raising the main rates of income tax or national insurance.

Next in line is the new £2,000 cap on pension salary sacrifice relief, forecast to generate nearly £5 billion in extra tax and National Insurance.

This move is likely to reduce pension savings and could have wider repercussions for the job market as employers look for alternative ways to manage costs.

The remainder of the £26 billion comes from a series of smaller measures, the most eye-catching of which is a 2% tax rate increase on property and investment income from 2027.

While this is expected to raise a relatively modest £2.1 billion, it will be keenly felt by landlords and savers.

**All these tax-raising measures announced today are covered in detail in our summary.**

# Matters Previously Raised

## Notable Exclusions

However, this Budget was just as important for anticipated changes which didn't make it into the Chancellor's Red Book and which were a particular concern for private clients and entrepreneurs.

First of all, it is worth noting that some of the most controversial proposals such as a wealth tax, an exit tax for individuals leaving the UK, and National Insurance on LLP members' profit shares have not been introduced.

We are sure we heard an audible sigh of relief from those who might have been affected had any of these been announced.

## Previously Announced Changes Proceeding

In addition, while the changes announced in this Budget are not as far reaching as they might have been, most previously announced changes are still going ahead.

Therefore from 6 April 2026, the CGT rate for Business Asset Disposal Relief and Investors' Relief will rise, the much-criticised reforms to agricultural and business property reliefs will take effect (albeit with the 100% relief limit being transferrable between spouses), carried interest will be taxed as income, and the use of pensions for IHT planning will come to an end.

## Impact and Contact

Taken together, the new and previously announced changes will have a significant impact on private clients and their advisers.

We hope you find this Budget report helpful, if you would like to discuss how these changes may affect your personal or family circumstances, please do not hesitate to contact our team.

# Rates, Thresholds and Allowances

## Overview

Income tax remains politically sensitive, but the Budget is set to raise revenue through indirect measures rather than headline rate hikes for "working families".

## Freezing of Thresholds

Income tax and NIC thresholds were frozen further.

The personal allowance (£12,570) and higher-rate threshold (£50,270), together with the rates of income tax, will remain frozen for a further three tax years.

With inflation and wage growth, this "fiscal drag" will push millions into higher tax bands.


## Higher Income Tax on Savings and Property Income

- From April 2026, there will be an additional 2% added to the basic (rising to 22%), higher (rising to 42%) and additional (rising to 47%) rates of tax charged on savings and property income.

- For dividend income there will be an additional 2% on the ordinary rate (rising to 10.75%) and upper rates (rising to 35.75%) only.

## Personal Allowance

The income tax ordering rules will be changed from April 2027 so that the Personal Allowance will be deducted against employment, trading or pension income first i.e. against income taxed at 20% in priority to income taxed at 22%.

## ISA Allowances

From April 2027, whilst the overall annual ISA limit remains at £20,000, a maximum of £12,000 can be invested in a cash ISA for those up to 65 years of age.

Those over 65 will continue to be able to invest the full £20,000 allowance in a cash ISA.

# Investments, Property & Pensions

## Investment Scheme Limits

A number of changes were announced to existing tax advantaged investment schemes:

- From 6 April 2026, the limits for eligibility for Enterprise Management Incentive Schemes will be increased to encourage investment into companies larger than allowed under the current limits.

- EIS and VCT company size limits will be significantly increased with a view to encouraging investment in companies which are not just start-ups.

- However, VCT income tax relief will be reduced from 30% to 20% from 6 April 2026.

## Mansion Tax

The much anticipated 'Mansion tax' has taken shape as an additional annual Council Tax charge for properties valued at over £2m by the Valuation Office - the charge will start at £2,500, with the highest band being £7,500 for properties valued at over £5m. This will come into force from April 2028.

## Voluntary National Insurance Contributions (NICs) Abroad

- The ability to make cheaper voluntary Class 2 National Insurance contributions (increasing to £3.65 a week from April 2026) is being removed from 6 April 2026.

- Those outside the UK, or leaving the UK, who wish to maintain their National Insurance record will need to pay the more expensive Class 3 contributions (£18.40 a week from April 2026).

- Those wishing to make Class 3 contributions must have either lived in the UK for at least 10 years consecutively or paid at least 10 years of contributions while in the UK.

## Salary Sacrifice for Pension Contributions

- The government will charge employer and employee NICs on pension contributions above £2,000 per annum made via salary sacrifice from April 2029.

- This will reduce the savings available to both employees and employers with any contributions in excess of the threshold made after NIC has been applied.

- No such limits will be applied to other elements of salary sacrifice.

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# Thank you



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