



## Ward and Co CHARTERED ACCOUNTANTS

# The Autumn Budget 2025

### Overview

In the Budget delivered on 26<sup>th</sup> November the Chancellor announced various measures to increase tax revenue including increasing the rate of income tax on property, savings and dividend income. Thankfully there were no further substantial changes to Inheritance Tax and Capital Gains Tax for most of our clients.

Key tax changes that were announced included the following:-

### Income Tax

1. From 6<sup>th</sup> April 2026 the rate of income tax on dividend income will be increased by 2% to 10.75% for the basic rate and 35.75% for higher rate taxpayers. The additional rate will remain at 39.35%.
2. From 6<sup>th</sup> April 2027 the rate of income tax on property and savings income will be increased by 2% to 22% for the basic rate, 42% for the higher rate and 47% for additional rate taxpayers. The 47% rate will also apply to property and savings income received by trusts.
3. The personal allowance of £12,570, higher rate threshold of £50,270 and additional rate threshold of £125,140 will remain at the same level until April 2031.

### National Insurance Contributions (NIC)

1. From April 2029 only the first £2,000 of employee pension contributions through salary sacrifice will be exempt from NICs. Employees and employers will pay NICs on the amount of pension contributions above £2,000 paid through salary sacrifice. The income tax reliefs will remain. Further guidance will be published by HMRC nearer the time.
2. Current NIC thresholds for employees and self employed will be frozen until April 2031 along with the secondary threshold at which employers have to pay NICs of £5,000 per employee.

### Inheritance Tax

1. Any £1million allowance not fully utilised on first death for the 100% rate of agricultural property relief (APR) and business property relief (BPR) will be transferable between spouses and civil partners when the new rules take effect from 6<sup>th</sup> April 2026, including where the first death was before 6<sup>th</sup> April 2026. The HMRC policy paper states that where the first spouse or civil partner died before 6<sup>th</sup> April 2026 it will be assumed they had a full £1million allowance to transfer on the death of the surviving spouse or civil partner on or after 6<sup>th</sup> April 2026. We await further clarification on the precise details.

2. The current rates of £325,000 for the nil rate band and £175,000 for the residence nil rate band will be frozen until April 2031 as will the £1million allowance for 100% relief regarding APR and BPR.

### **Capital Allowances**

As well as the £1million 100% Annual Investment Allowance a new 40% first year allowance will be introduced for main rate expenditure from 1<sup>st</sup> January 2026 which will only cover expenditure on new equipment in excess of £1million AIA for unincorporated businesses provided both are not claimed for the same item of expenditure. It is mainly for the benefit of leasing companies as most other companies are already claiming 100% relief on the full cost of plant and machinery under the full expensing rules or 50% first year allowances for certain “special rate” items. The main rate of writing down allowances will be reduced from 18% to 14% from 1<sup>st</sup> April 2026 for corporation tax and from 6<sup>th</sup> April 2026 for income tax.

The 100% First Year Allowance for qualifying expenditure on zero emission cars will be extended a further year to 31<sup>st</sup> March 2027 for corporation tax purposes and 5<sup>th</sup> April 2027 for income tax purposes.

### **Capital Gains Tax**

1. The current 100% relief on business owners selling their shares to employee ownership trusts will be reduced to 50% with immediate effect.
2. No changes to capital gains tax rates or exemptions were announced.

### **Investments**

The ISA limits will remain at £20,000 but from April 2027 £8,000 of the limit will be exclusively for stocks and shares, with the cash element restricted to £12,000. Over 65's will retain the £20,000 cash allowance.

### **High Value Council Tax Surcharge**

From April 2028 there will be a surcharge administered alongside council tax for residential properties worth £2million or more. This starts at £2,500 for properties worth between £2m to £2.5million increasing to £7,500 for properties worth in excess of £5million.

### **Consultations**

The Government is planning a consultation on introducing new requirements on reporting transactions between close companies (typically controlled by five or fewer participators) and their shareholders. It will also be publishing a consultation on timelier tax payment for taxpayers with only self-assessment income and no PAYE income.

**We will be updating our website for any significant developments or changes when further details are released.**

Ian Smale FCCA

26<sup>th</sup> November 2025

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