

Autumn 2025

Budget

Highlights



- The income tax personal allowance and thresholds, as well as employee and self-employed national insurance contribution thresholds, will be frozen until 6 April 2031.
- The rate of tax on dividend income will increase from 8.75% to 10.75% for basic rate taxpayers and from 33.75% to 35.75% for higher rate taxpayers from 6 April 2026.
- From 2027/27 the rates of income tax on savings income will rise by two percentage points to 22% (currently 20%) for basic rate, 42% (currently 40%) for higher rate and 47% (currently 45%) for additional rate taxpayers.
- The two child benefit cap will be scrapped from April 2026.
- Salary sacrifice to fund pension contributions will effectively be capped at £2,000 a year, starting in 2029/30.
- From 1 April 2026 the National Minimum Wage will increase to £12.71 an hour for over 21's, an increase of 50p. This is known as the national living wage. For workers aged 18 to 20 the new rate will be £10.85, while under 18s and apprentices will get a 45p rise to £8 an hour.
- The NICs secondary threshold of £5,000 is being frozen for an extra three years until 5 April 2031.
- The maximum subscription to cash ISAs will be reduced to £12,000 from 2027/28 for those under age 65, but the overall ISA limit will remain at £20,000.
- State pension to rise by 4.8% from April 2026
- The repayment threshold for the Student Loan Plan 2 will be frozen at £29,385 until 2029-30.
- From April 2028 a high value council tax surcharge will be introduced on properties valued at over £2 million.

- A pay-per-mile charge will be introduced for electric vehicles of 3p per mile and for hybrids of 1.5p per mile from April 2028.
- The IHT nil rate band and residential nil rate band will be frozen for another year until 6 April 2031.
- Unused inheritance tax (IHT) agricultural and business reliefs will be transferable between spouses and civil partners on death.
- It was confirmed in the Budget that Making Tax Digital (MTD) penalties for income tax won't be applied for late submission of quarterly updates during the 2026-27 tax year.
- The Small Business Rates Relief (SBRR) grace period will be extended from one to three years. This means that businesses will now remain eligible for SBRR on their first property for three years after expanding into a second property.
- Tax relief for non-reimbursed homeworking expenses will be removed from 6 April 2026.
- A new capital allowances 40% first-year allowance will be introduced from 1 January 2026.
- The main rate of capital allowance writing down allowance will reduce from 18% to 14% from 1 April 2026 for corporation tax and 6 April 2026 for income tax.

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