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Autumn Budget 2025: Key Tax Changes

Chancellor Rachel Reeves delivered the Autumn Budget 2025, introducing measures expected to raise £26 billion in taxes. The Budget includes an extension to the freeze on personal tax thresholds, higher taxes on investment income, and increases to the national minimum and living wages.

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Employment/Personal Taxes

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Personal Tax Threshold Freeze Extended

The Stealth Tax Continues

The Government is continuing the freeze on personal tax thresholds through to April 2031. Income Tax and National Insurance Contributions thresholds were due to be frozen until March 2028, but will now remain frozen for an additional three years.

Whilst the Government is not increasing headline rates of income tax or NICs, this freeze acts as a stealth tax, causing more income to fall into higher tax rates as wages increase with inflation.

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2031

Extended Freeze

Tax thresholds frozen until April 2031

A stylized illustration of a desk with a clipboard, keys, and bar charts. The desk is dark blue with a lighter blue surface. On the desk, there is a clipboard with a document titled 'PROPERTY MONT' and a key. In the background, there are two sets of bar charts made of translucent blue blocks. The overall lighting is a mix of blue and purple.

Investment Income: Higher Tax Rates Ahead

The Government plans to raise taxes on property, dividend, and savings income, affecting landlords and investors across the UK.

Landlords Face 2% Rise

From April 2027, property income will be taxed at separate rates: 22% basic rate, 42% higher rate, and 47% additional rate.

Dividend Tax Increase

From April 2026, ordinary and higher rates rise by 2%: basic rate from 8.75% to 10.75%, higher rate from 33.75% to 35.75%.

Savings Income Up

Tax rates on savings income will increase by 2% across all bands from April 2027.

National Living and Minimum Wage Increases



National Living Wage

Increases by 4.1% from £12.21 to £12.71 from 1st April 2026. This equates to an extra cost of £910 per year based on 35 hours per week.




18-20 Year Olds

National minimum wage increases by 8.5% from £10.00 to £10.85, creating extra costs of £1,547 per year for employers.



16-17 and Apprentices

Minimum wage increases by 6% from £7.55 to £8.00 per hour, representing extra costs of £819 per year for employers.



ISA Changes and Cash Savings Cap

New Cash ISA Limits

From April 2027, under 65s may save only £12,000 per year into cash ISAs, with the remaining £8,000 of the £20,000 annual allowance reserved for non-cash ISA investments.

Over 65s Protected

Those aged 65 and over may still save up to £20,000 in cash ISAs per year, maintaining their full cash savings flexibility.

Pension Salary Sacrifice Cap



£2,000 Annual Cap from 2029

A new £2,000 per year cap will apply to salary-sacrificed pension contributions exempt from NICs from 6th April 2029.

Contributions above this cap will be treated as ordinary employee pension contributions, subject to both employers' and employees' NICs. Ordinary employer pension contributions remain exempt from NICs.

The distant 2029 date provides a window for employers and employees to adapt, though further changes and avoidance legislation are anticipated.

Employment and Workplace Tax Changes

Homeworking Expenses

From 6 April 2026, employees can no longer claim income tax deductions for non-reimbursed homeworking expenses. Employers may still reimburse tax and NIC-free where eligible.

Expanded Workplace Benefits Relief

From 6 April 2026, income tax and NIC exemptions will be extended to cover reimbursements for eye tests, homeworking equipment and flu vaccinations.

Employment Tax Treatment Clarifications

From 2026, statutory payments for cancelled, moved, and curtailed shifts are confirmed as taxable earnings. From 6 April 2027, image rights payments related to employment are treated as taxable employment income subject to income tax and NICs.

PAYE Notifications Alignment

From 6 April 2026, the proportion of earnings an employer can exclude from PAYE will be limited to a maximum 30% where the individual is a qualifying new resident and eligible for overseas workday relief.





Inheritance Tax & Anti-Avoidance Measures

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Inheritance Tax Relief Changes

01

£1 Million Relief Threshold

From April 2026, 100% relief for Business and Agricultural property applies only to the first £1 million of combined assets.

02

50% Relief Above Threshold

Assets above £1 million will receive only 50% relief, meaning half the value becomes subject to inheritance tax.

03

Transferable Between Spouses

Unused £1 million allowance for 100% relief is transferable between spouses and civil partners, including where first death was before 6th April 2026.

Anti-Avoidance Measures

UK Agricultural Property Held by Non-UK Entities

From 6 April 2026, UK agricultural property held by non-UK entities will be treated as UK situs, mirroring the existing treatment for UK residential property held by non-UK entities.

Trust Exit Charge Anti-Avoidance

A new provision targets attempts to avoid exit charges when a settlor ceases to be long-term UK resident. This prevents manipulation of trust asset situs to circumvent exit charges.

Charity Exemption Restrictions

From 26 November 2025 (lifetime gifts) and 6 April 2026 (gifts on death), charity exemptions will be restricted to direct gifts to UK charities and clubs only.

Other Technical Changes

Relevant Property Trust Charges Cap: A £5 million cap on relevant property trust charges applies to pre-30 October 2024 excluded property trusts from 6 April 2025.
Non-domiciled individuals: Various technical tweaks will be made to the changes introduced in Budget 2024 with the intention of making that legislation work more effectively.





Business Tax & Investment

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Employee Ownership Trusts: Relief Halved



100%

Previous Relief

Full CGT relief on EOT disposals before Budget Day



50%

New Relief Rate

From midnight 26th November 2025, only 50% CGT relief applies

Company owners making qualifying disposals of shares to Employee Ownership Trust trustees now face capital gains tax on 50% of gains, a significant reduction from the previous 100% relief.



Enterprise Management Incentives: Expanded Access



Employee Limit Doubled

Increased from 250 to 500 employees



Gross Assets Quadrupled

Raised from £30 million to £120 million



Scheme Value Doubled

Total value increased from £3 million to £6 million

Finance Bill 2026/27 will also abolish the requirement for formal notification of EMI option grants to HMRC, reducing administrative burden.

VCT and EIS: Enhanced Investment Limits

Increased Investment Limits from April 2026

- Annual investment limit increases to £10 million (£20 million for Knowledge Intensive Companies)
- Lifetime limit increases to £24 million (£40 million for KICs)
- Gross assets test increases to £30 million before share issue and £35 million after

VCT Income Tax Relief Reduced

However, the upfront VCT income tax relief will reduce from 30% to 20%.

Capital Allowances: Mixed Changes

Writing Down Allowance Reduced

The main rate writing down allowance decreases from 18% to 14% from April 2026, reducing the ongoing tax relief available on capital expenditure.



New First Year Allowance

To counter the reduction, a new 40% first year allowance has been announced for the year of purchase. However, this excludes expenditure on second-hand assets and cars.

The £1 million Annual Investment Allowance at 100% remains unchanged.

Other Business-Related Updates

→ Corporation Tax Penalties

Late filing penalties for Corporation Tax returns will double from 1 April 2026.

→ Pillar Two Amendments

Technical updates to Multinational and Domestic Top-up Tax legislation in Finance Bill 2025-26.

→ International Tax Rules

Legislation in FB 2025-26 to simplify transfer pricing, permanent establishments, and diverted profits from 1 January 2026.

→ Film Studios Relief

Eligible English film studios retain a 40% business rates reduction until 2034.

→ Construction Industry Scheme (CIS)

HMRC powers against fraud strengthened, and administration simplified from 6 April 2026.



Indirect Taxes

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VAT: Registration Threshold Unchanged

Good News for Small Businesses

Rumours of a reduction in the VAT registration threshold did not materialise in this year's Budget, providing relief for small businesses operating near the threshold.

Digital Invoicing from 2029

From April 2029, the Government will require all VAT invoices to be issued in a specified electronic format. An implementation plan will be published at Budget 2026.

VAT and Customs Changes

VAT Changes and Reliefs

Business donations to charities relief: From 1 April 2026, relief will apply to business donations of goods to charities for onward distribution or use in service delivery.

Customs and Border Measures

Low value imports reforms: The government will remove the customs duty relief on consignments valued at £135 or below and introduce new import arrangements by March 2029 at the latest, leading to the same rate as domestic supplies and higher-value imports.

Duties on Goods

- Alcohol duty: All rates will increase with RPI from 1 February 2026
- Tobacco and vaping duties: Tobacco duty will increase by RPI plus two percentage points, alongside a one-off rise, with follow-on increases in 2026. A new vaping products duty will apply with a duty-free allowance introduced
- Soft Drinks industry levy reforms: From 1 January 2028, the sugar threshold will reduce from 5.0g to 4.5g per 100ml and exemptions for milk-based or milk-substitute drinks with added sugar will be removed. Increases will apply from 1 April 2026



Stamp Duty Reserve Tax (SDRT) Relief



0.5% SDRT Relief

Transfers of a company's securities will be exempt from the 0.5% Stamp Duty Reserve Tax (SDRT) charge.



UK Listed Companies

This relief is applicable for companies listing on a UK regulated market, aiming to enhance the attractiveness of UK capital markets.



Three-Year Exemption

The relief will apply for a period of three years from the date the company officially lists on a UK regulated market.

Business Rates Relief for Retail, Hospitality and Leisure

England Only: Reduced Multipliers

The Government announced plans to reduce multipliers for Retail, Hospitality and Leisure sectors, benefiting over 750,000 properties including shops and pubs. The RHL multipliers will be 5p below national equivalents.



Small Business RHL Multiplier: 38.2p



Standard RHL Multiplier: 43p in 2026-27

To fund this relief, a higher rate applies to properties with rateable values of £500,000 and above (around 1% of properties). Most ratepayers will see no bill increases, with just under a quarter seeing reductions.

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High Value Property Surcharge

New Annual Charge from 2028

A new high value council tax surcharge (HVCTS) will apply from April 2028 for owners of properties valued over £2 million (in 2026 prices).

The charge starts at £2,500 per year, rising to £7,500 annually for properties valued above £5 million. Importantly, the owner—rather than the occupier—will be liable to pay the HVCTS in addition to existing council tax.



Transport and Leisure Taxes

Air Passenger Duty (APD)

The higher rate will be extended to all private jets over 5.7 tonnes from April 2027, and all APD rates will increase by RPI from 1 April 2027.

Fuel Duty

The temporary 5p cut will be extended to August 2026, the inflation-linked increase for 2026–27 will be cancelled, and a staged return to 2022 duty levels will begin from September 2026.

Electric Vehicle Excise Duty (eVED)

Drivers will pay a per-mile charge alongside existing Vehicle Excise Duty. Electric cars will pay half the equivalent fuel duty rate for petrol and diesel vehicles, while plug-in hybrids will pay a reduced rate set at half of the electric car rate.

Gambling Duties

Remote gaming duty will increase to 40% from 1 April 2026; a new remote betting rate of 25% will apply from 1 April 2027, excluding self-service betting terminals, spread and pool betting, and UK horseracing (which will remain at 15%). Bingo duty will be abolished from 1 April 2026.





Electric Vehicle Taxation Revolution

New Mileage-Based Charge from 2028

The Government introduces the Electric Vehicle Excise Duty (eVED) from April 2028—a mileage-based charge in addition to current vehicle excise duty. In 2028/29, battery EVs will pay £0.03 per mile and plug-in hybrids £0.015 per mile, increasing annually with CPI.

However, the expensive car supplement threshold for battery EVs increases from £40,000 to £50,000 in April 2026, providing some relief for higher-value electric vehicles.

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Petrol and Diesel: Gradual Duty Increases





Administrative Measures

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Reforms to Close the Tax Gap

Tax Advice & Compliance Markets

Proposed changes are expected to increase compliance burdens and risks for tax advisers, potentially raising the cost and complexity of obtaining tax advice.

HMRC's Debt Management Capacity

£64 million will be invested over five years to enhance HMRC's partnerships with private sector debt collection agencies, aiming to recover more tax debt.

Self-Assessment & VAT Penalties

Late submission penalties for quarterly updates during the 2026-27 tax year for MTD Income Tax Self-Assessment taxpayers will not apply. A new penalty regime will extend to all ITSA taxpayers from April 2027.

Enforcement Measures

- Hidden Economy Team: Fair Work Agency (FWA)

A dedicated 'hidden economy' team within the new Fair Work Agency will be launched in April 2026 to target sectors known to have significant employment rights breaches and tax issues.

- Increased NMW Enforcement

A number of measures will be introduced including closer working with trade unions and local business groups, following up directly with employers on all worker complaints, regular naming rounds and exploring new powers for the FWA to target individuals in leadership roles.



Other Key Points

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Additional Tax Measures

Incorporation Relief

For incorporations after 5 April 2026, a claim will need to be made on the tax return providing certain information around the claim and the business being incorporated.

Non-Resident Dividend Tax Credit Abolished

The dividend tax credit for non-UK residents with UK income will be abolished from 6 April 2026.

IHT and Pensions Interactions

From 6 April 2027, personal representatives can direct scheme administrators to withhold 50% of taxable death benefits for up to 15 months. Personal representatives will be discharged from liability for payment of IHT on pensions discovered after receiving HMRC clearance.

National Insurance Adjustments

The lower earnings limit (LEL) and small profits threshold (SPT) will increase by 3.8% from 2026-27. LEL will be £6,708 per annum (£129 per week) and SPT will be £7,105 per annum. Class 2 rate will be £3.65 per week, and Class 3 rate will be £18.40 per week.

HMRC Crypto Reporting

UK Cryptoasset Service Providers will be required to report on UK tax-resident customers under the Cryptoasset Reporting Framework, with information collected from 1 January 2026 and first reports submitted in 2027.

Key Dates to Remember

April 2026

National living wage increase, dividend tax rise, inheritance tax relief changes, EV expensive car supplement threshold increase

April 2027

Property income tax increase, savings income tax rise, ISA cash cap introduced, capital allowances changes

April 2028

High value council tax surcharge begins, electric vehicle excise duty introduced

April 2029

Pension salary sacrifice cap, VAT digital invoicing requirement

April 2031

Personal tax threshold freeze ends

What This Means for Individuals

Higher Effective Tax Rates

The threshold freeze means more income taxed at higher rates as wages rise with inflation.

Landlords Face Pressure

Additional 2% tax on property income from 2027 adds to existing challenges in the rental market.

Investment Income Squeezed

Higher taxes on dividends and savings reduce returns for investors and savers.



What This Means for Businesses

Increased Employment Costs

National living and minimum wage increases add to payroll expenses, particularly affecting hospitality and retail sectors.

Capital Investment Considerations

Reduced writing down allowances offset by new first year allowances require careful tax planning for asset purchases.

Pension Strategy Review

The 2029 salary sacrifice cap provides time to review and adjust pension arrangements for maximum tax efficiency.

Planning Opportunities



Act Before April 2026

Consider accelerating dividend payments and reviewing property portfolios before tax increases take effect.



Maximise Pension Contributions

Take advantage of current salary sacrifice rules before the 2029 cap, and review ISA strategies before 2027 cash limits.



Review Business Structure

Assess whether your current business structure remains tax-efficient under the new rules, particularly for property income.



Seek Professional Advice

The complexity of these changes makes professional tax planning essential to minimise your tax burden legally.

Important Caveats and Disclaimers

Information Accuracy

This presentation is based on information available at the time of the Spring Budget 2025. Tax legislation may be subject to change when the Finance Bill is enacted.

General Guidance Only

The content provided is for general information purposes only and should not be considered as specific tax, financial, or legal advice tailored to your individual circumstances.

Professional Advice Required

Given the complexity of these tax changes, we strongly recommend seeking professional advice before making any financial decisions or implementing tax planning strategies.

No Liability

While every effort has been made to ensure accuracy, FinBridge Advisors accepts no liability for any actions taken or not taken based on the information contained in this presentation.

Individual Circumstances

Tax implications vary significantly based on individual circumstances. What may be beneficial for one person or business may not be appropriate for another.

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