

Budget Summary Newsletter

November 2025

The Autumn Budget 2025 was presented following a period of economic uncertainty and speculation. With the Office for Budget Responsibility's report released ahead of schedule, the Chancellor's second Budget focused on restoring stability and confidence. Key priorities included reducing NHS waiting lists, lowering government borrowing costs, and supporting households facing cost-of-living pressures. We have summarised the key features of this budget below:

Income tax - Frozen income tax thresholds

As predicted, the Chancellor backtracked on her promise to increase thresholds by extending the freeze by a further 3 years, to the end of the tax year 2030/31. The income tax Personal Allowance will stay at £12,570, higher rate threshold at £50,270 and additional rate threshold at £125,140.

Dividend taxation

Tax on dividend income will increase by 2 percentage points. The ordinary rate will rise from 8.75% to 10.75%, and the upper rate from 33.75% to 35.75% from April 2026. The additional rate will remain unchanged at 39.35%.

Savings income

Tax on savings income will increase by 2 percentage points across all bands. The basic rate will rise from 20% to 22%, the higher rate from 40% to 42%, and the additional rate from 45% to 47% from 6 April 2027.

Property income

Property income will also have its own individual tax rate. From 6 April 2027, the property basic rate will be 22%, the higher rate will be 42% and the additional rate will be 47%. Finance cost relief will be provided at 22% (currently 20%).

The governments of Scotland and Wales will be engaged to provide them with the ability to set property income rates in line with their current income tax powers.

Income tax relief on VCT investments

From 6 April 2026 the VCT income tax relief will decrease to 20%, down from 30% currently.

National Insurance (NI)

There were no headline rate changes to NI, however, thresholds will remain frozen in line with income tax until 2030/31.

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Capital Gains Tax (CGT)

No changes were announced to CGT

Inheritance Tax (IHT)

The nil-rate band (£325,000) and Residence Nil-Rate Band (£175,000) thresholds were frozen until 5 April 2030. This has been extended by a year to include the 2030-31 tax year. The Residence Nil-Rate Band taper amount will also remain at the current level of £2 million. This measure will be effective from 6 April 2030 (as they were already frozen until this date anyway).

No changes to gifting exemptions

There were no changes to the IHT gifting exemptions, which will remain as now.

Agriculture Property Relief/Business Property Relief

Any unused £1 million allowance for the 100% rate of agricultural property relief and business property relief will be transferable between spouses and civil partners, including if the first death was before 6 April 2026. This will also be legislated for in the Finance Bill 2025-26 and take effect from 6 April 2026.

Individual Savings Account (ISA)

From 6 April 2027, the annual cash ISA limit will be set at £12,000, within the overall annual ISA limit of £20,000. Annual subscription limits will remain at £20,000 for ISAs, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2031. Savers 65 and over will continue to be able to save up to £20,000 in a cash ISA each year.

Lifetime ISA (LISA) reform

The government will publish a consultation in early 2026 on the implementation of a new, simpler ISA product to support first time buyers in purchasing a home. Once available, this new product will be offered in place of the LISA.

Pensions

Pensions were relatively lightly impacted in this year's Budget. There will be no changes to the main pension tax allowances, which will continue at their current levels for the 2026/27 tax year.

The headline measure for pensions relates to salary sacrifice - NICs will now be applied on salary sacrificed pension contributions

From April 2029, the amount of pension contributions that can be made via salary sacrifice and benefits from employee and employer NICs relief will be capped at £2,000 per year. Contributions above the £2,000 cap will be subject to NICs in the usual way.

The State Pension

The new State Pension will increase by 4.8% (average earnings) in April 2026.

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IHT on unused Pension

As announced previously in the 2024 Budget, the government committed to include most defined contribution pension death benefits in scope of the IHT regime.

Today's Budget confirms an additional feature of this process – if personal representatives expect IHT to be due, they can direct pension scheme administrators to withhold 50% of the taxable death benefits for up to 15 months from the date of death.

Personal representatives can then direct the pension scheme to pay the IHT due to HMRC before releasing the rest of those benefits to pension beneficiaries. If the instruction is withdrawn or the period ends, the remaining funds can be paid out.

Personal representatives will also be discharged from liability for pensions discovered after they have received clearance from HMRC.

Corporation tax

No changes to the rates of Corporation Tax

Other points of interest

'Mansion Tax' - High Value Council Tax Surcharge (HCVTS)

The government will introduce the High Value Council Tax Surcharge a new charge on owners of residential property in England worth £2 million or more, starting in 2028-29.

Removal of the two-child benefit cap

Key Takeaways:

- ISAs can shield investment and savings income from these higher rates and with a reduction in certain ISA allowances (see below), advice in this area will become more important and more in demand.
- Gifting remains a key strategy for mitigating IHT. As thresholds are frozen and asset values increase, more people will benefit from making use of annual and lifetime gifting exemptions to reduce the value of their taxable estate.
- Maximising ISA subscriptions is now more important than ever. With the upcoming increase in dividend tax rates from April 2026, sheltering investments within ISAs can help clients avoid higher tax liabilities on their investment income.

If you have any questions at all following this budget announcement, please do not hesitate to get in touch with us.

If we do not hear from you beforehand, we at SIP Wealth Management wish you all a very Merry Christmas, and we look forward to seeing you again in the new year.

Yours sincerely,

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