

Autumn Budget 2025 – Headline Tax Measures

On 26 November 2025, the Chancellor of the Exchequer, Rachel Reeves, presented her second Budget.

There had been intense media speculation in the weeks leading up to the Budget, mainly around possible tax increases and the restriction of exemptions and reliefs. In fact, the only major tax increase was the introduction of a 2% income tax levy on non-earned (investment) income and the introduction of a council tax surcharge for properties valued at greater than £2 million. There were no major changes to allowances and reliefs.

The headline tax changes are detailed in this initial briefing. A more detailed analysis will follow shortly.

Personal Taxes and National Insurance

Income tax

- The headline rates of income tax remain unchanged **except for income deriving from investments and property**.
- Tax on dividend income will increase by 2% at the ordinary and upper rates. The ordinary rate for dividends will rise from 8.75% to 10.75%, and the upper rate from 33.75% to 35.75% from April 2026.
- Tax on savings income (interest etc.) will rise by 2% in each band. That is a rise from 20% to 22%, from 40% to 42% and from 45% to 47% from April 2027.
- Property income will be subject to entirely separate tax rates from April 2027. The initial rates, from April 2027, will be 22%, 42% and 47%, but the creation of a separate rate gives the Government the opportunity to change property tax rates in the future without targeting other sources of earnings or investment income. Relief for finance costs for property will be capped at the 22% rate.
- Thresholds and allowances will remain frozen until 6th April 2031, which will contribute to significant fiscal drag.
- Cash ISA limits will be cut to £12,000 from April 2027 for those under 65.
- The rate of tax relief available for investment into Venture Capital Trusts will be reduced from 30% to 20%.
- The Government will publish an important policy paper on offshore anti-avoidance – further details to follow.

Employment Taxes and Pensions

- From April 2029, salary sacrifice pension contributions over £2,000 per annum will no longer be exempt from NICs, meaning both employers and employees will pay NICs on amounts above this.
- Despite widespread speculation, no change in the normal rates of income tax relief for pension contributions.
- Restrictions for non-UK residents seeking to boost their UK State Pension by paying voluntary NICs.
- Some restrictions announced to the percentage of income which may be payrolled without withholding in respect of overseas workdays.

Council Tax

- As widely predicted, a High Value Council Tax Surcharge will be introduced for properties valued at £2,000,000 or more. The change will take effect in April 2028 based on values at April 2026. The proposed annual rates are:

£2,000,000 – £2,500,000	£2,500
£2,500,001 – £3,500,000	£3,500
£3,500,001 – £5,000,000	£5,000
£5,000,001 +	£7,500

Capital Gains Tax

- The main rates of capital gains tax remain at 18% and 24%.
- Employee ownership trusts will have relief from CGT on the disposal of a business decreased from 100% to 50%.
- Those seeking to claim CGT incorporation relief will be required to claim it on their personal tax return with a full disclosure of the gain being relieved and the basis of the transaction.

Inheritance Tax

- No major inheritance tax changes. But note that the significant restrictions to Agricultural and Business Property Reliefs announced at the last Budget come into effect from 6 April 2026.
- The Government appears to have granted a concession to former non-domiciled settlors of trusts who settled excluded property before 30 October 2024. With effect from 6 April 2026, periodic and exit IHT charges will be capped for trusts with long-term UK-resident settlors. The cap will be set at £5M. More will follow on this as some of the HMRC wording is unclear.
- Anti-avoidance legislation will be introduced to ensure UK agricultural property is within the UK IHT net, even where enveloped offshore.
- Despite widespread speculation, no changes to the rules for lifetime gifting.

Business and Corporate Taxes

- The main rate of Corporation Tax will remain at 25%.
- The £1,000,000 annual allowance will remain, supplemented by an additional 40% First Year Allowance. The annual writing-down allowance will reduce from 18% to 14% from April 2026.
- The size limits for companies eligible for Enterprise Investment Relief (EIS) or Venture Capital Trust (VCT) relief will be substantially increased.
- Substantial increase to the size of companies able to grant tax-favoured share options under the Enterprise Management Incentive (EMI)
- There will be no increase in the main rate of VAT, which will remain at 20%.

Further Information and Advice

For further information or advice, please speak to your usual Verfides contact, or email or call the Tax Team: tax_team@verfides.com; call +44 20 7930 7111

London, 26 November 2025