

Autumn Budget 2025 – Impact for Private Wealth & Entrepreneurship

On 26 November 2025, the Chancellor of the Exchequer, Rachel Reeves, presented her second Budget. This is a follow up to our [main briefing](#) and focuses in more depth on the impact on private wealth and entrepreneurship.

Income Tax Increases: Investment Income

The Chancellor has attacked all types of investment income by imposing a 2% rise across most tax bands for dividends, property income and other investment income. The increases in tax are staggered across 2026 and 2027:

	New rate effective from	Current basic rate	New Basic Rate	Current Higher Rate	New Higher Rate	Current Additional Rate	New Additional Rate*
Dividends	6 Apr 2026	8.75%	10.75%	33.75%	35.75%	39.35%	39.35%*
Property	6 Apr 2027	20%	22%	40%	42%	45%	47%
Other investment income	6 Apr 2027	20%	22%	40%	42%	45%	47%

*No change to the additional rate of tax for dividends.

An additional measure will apply to the way that allowances and reliefs are set against taxable income. Such allowances and reliefs will need to be set first against income falling into the ordinary 20%, 40% and 45% rates of tax, rather than the increased rates applicable to investment income.

Tax rate thresholds and allowances will now be frozen until 2031, which in an era of inflation means that more income will be drawn into higher rates of tax over time.

There has been a reduction in the rate of income tax relief applicable to investments in Venture Capital Trusts from 30% to 20%, to apply from 6 April 2026. The cash ISA allowance is cut from £20,000 to £12,000 for those under 65 from April 2027.

Pensions

It was a welcome announcement that the rate of tax relief on contributions to approved pension plans was not reduced, and remains at up to 45/47%. The 25% tax-free lump-sum drawdown was also left intact.

Employers and employees who fund employee contributions by “salary sacrifice” will no longer benefit from exemption from NICs on those contributions where they exceed £2,000 per annum

Whilst not announced in this Budget, as previously planned unused pension funds and death benefits will be brought into the Inheritance Tax (IHT) net from 6 April 2027.

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Property Taxes

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

This seems to be the manifestation of the “mansion tax” which was widely touted in the media pre-Budget. Thankfully the Chancellor did not go further and introduce a feared wealth tax.

Capital Gains Tax

The main rates of capital gains tax remain at 18% and 24%, despite speculation on further increases. There are a few minor technical changes to consider in the realm of CGT.

Non-residents’ CGT on UK Property. An anti-avoidance measure has been introduced with immediate effect to prevent Protected Cell Companies (PCCs) falling outside the charge of NRCGT by being “non-property rich” when considering the test across all cells. Instead, the test will apply to the individual cell disposing of the property.

Incorporation Relief. CGT incorporation relief is available on the transfer of a bona fide business to a company in exchange for shares. It has been a popular way to mitigate gains on the incorporation of a rental business in the last few years (although HMRC has attacked transactions where it cannot be demonstrated that the business was being actively run by the owner with the commitment of significant time). In what appears to be an attempt to introduce more scrutiny, HMRC will, from 6 April 2026, require the transferor to make a formal claim for the relief in the self-assessment tax return, giving full details of the transaction.

Share Exchanges and Reorganisations. Many paper-for-paper exchanges of shares (for instance, where a new holding company is interposed over an existing shareholding) are exempt from CGT and the gain is instead rolled over into the new shares under the Reconstructions legislation. The current anti-avoidance legislation pertaining to such exchanges, where the motive is assessed on the overall purpose of the transaction, will be tightened. It will now be necessary to demonstrate that the main purpose, or one of the main purposes, or the transaction was not that of tax avoidance. Since there is already an advance clearance mechanism for such claims, it is hoped that taxpayer certainty will be maintained, although more care will need to be taken in ensuring the new requirements are satisfied.

[Inheritance Tax \(IHT\)](#)

Many advisers had expected a curtailment of tax-free lifetime gifting but this thankfully did not materialise.

The planned restriction to IHT reliefs on the succession of business and agricultural assets will go ahead as planned from April 2026 (broadly, the restriction of the 100% relief to the first £1M of such property, with the remainder only subject to 50% relief). However, the Government has announced that any unused amount of the £1M relief on the death of the first spouse will be transferable to surviving spouse. If the first death was before 5 April 2026, the entire £1M allowance will pass to surviving spouse. The relief will also apply to the value of such property held in trusts.

[Measures affecting internationally mobile private clients / former “non doms”](#)

In the last Budget, sweeping changes to private wealth taxation were made in the abolition of the “non dom” regime and the introduction of the new FIG regime for the first 4 years of UK residence. This Budget made no major amendments to those provisions, but several noteworthy minor changes were announced.

UK Agricultural Property: IHT Anti-Avoidance. With immediate effect, all UK agricultural property and land will be brought into the UK IHT net regardless of whether it is held by or enveloped within an offshore structure. This mirrors the treatment of UK residential property.

IHT and Trusts: Anti-Avoidance. Where a long-term resident is the settlor of a trust, there is a currently a 6% IHT exit charge on non-UK settled property where that settlor leaves the UK and loses long-term residence status. With immediate effect, legislation will prevent trustees bringing such trust assets into the UK to avoid the exit charge, only to re-export them once the settlor has left the UK.

Cap on IHT liabilities of Certain Trusts Settled before 30 October 2024. At first glance, this appeared to be a major concession for trusts settled by formerly non-domiciled settlors, which are now subject to periodic and exit IHT charges on all assets. In fact, the level of the cap – which limits the tax charges payable every ten years to £5,000,000 – is so large that it will only benefit the most valuable of trusts – that is, trusts holding non-UK property valued at £83M or more.

Temporary non-Residence and Dividends. Dividends from private companies received by a temporary non-resident (broadly, one who does not leave the UK for at least 5 consecutive tax years) during a period of UK non-residence are currently subject to tax on their return to the UK, but subject to a carve-out for dividends deriving from profits earned by the company whilst the individual was outside the UK. That carve-out will be removed for dividends received after 6 April 2026, such that all private company dividends are taxable on return within 5 years.

Abolition of the dividend tax credit for non-UK residents. The notional tax credit that non-UK residents receive as tax treated as having been paid at the ordinary rate on dividends from UK companies is abolished. This brings non-residents in line with UK residents.

This relates to the options of assessment available to non-UK residents. Under the first option, UK investment income (e.g. interest and dividends) is disregarded but the personal allowance is not available. Under the second

option, all UK-sourced income is taxable and the personal allowance is available, but the taxpayer was also able to claim a notional basic rate tax credit of 8.75% against the income tax due on their dividends. The removal of this tax credit brings non-residents in line with UK residents, for whom the notional basic rate tax credit was abolished many years ago.

Business Taxes

The main rates of corporation tax and VAT remain unchanged at 25% and 20% respectively. The £1,000,000 Annual Investment Allowance for capital expenditure remains but is supplemented by a new First Year Allowance for main rate expenditure which does not otherwise qualify from 1 January 2026. The main rate of writing-down allowance will decrease from 18% to 14% from April 2026.

What has been encouraging in this Budget is the relaxation of size criteria for companies looking to benefit from entrepreneurial and growth tax breaks:

Enterprise Management Incentive (EMI) scheme

From April 2026 the size limits for companies qualifying for EMI tax-favoured share option schemes are increased as follows:

- company options will be increased from £3 million to £6 million
- gross assets will be increased from £30 million to £120 million
- the number of employees will be increased from 250 employees to 500 employees

Furthermore, the limit on the period within which options must be exercised is increased from 10 to 15 years.

Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) Changes

The existing annual, lifetime and gross assets size limits for companies receiving investment under EIS or VCT will be doubled (although, as noted above, the income tax relief rate for individuals investing in VCTs is reduced to 20% from 30%). The changes apply from 6 April 2026.

The VCT and EIS annual investment limit (which companies can raise) will be increased to £10 million (from £5 million), and to £20 million (from £10 million) for knowledge intensive companies. Additionally, the lifetime investment limit will be increased to £24 million (from £12 million) and £40 million (from £20 million) for knowledge-intensive companies. The gross assets test for companies will increase to £30 million (from £15 million) before the issue of shares or securities, and £35 million (from £16 million) after the issue.

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

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