Autumn Budget 2025 – What It Means For You

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1. Introduction – a Budget built on "slow burn" tax rises

The Chancellor's second Budget was never likely to be full of giveaways.

After a difficult year for the public finances, the Office for Budget Responsibility (OBR) estimates that this Autumn Budget delivers an additional £26 billion a year of tax by the end of the decade, alongside around £9 billion of extra public spending.

Rather than headline increases in the main rates of income tax or National Insurance, the Government has chosen a series of slower-burning measures:

- A further three-year freeze to income tax thresholds and National Insurance thresholds, now lasting until April 2031.
- Higher tax rates on dividends, savings interest and property income from 2026/27 and 2027/28.
- A cap on the National Insurance savings from salary sacrifice pension contributions from 2029/30.

- Tighter rules around pension death benefits and inheritance tax (IHT).

For many Brighton Capital Management clients, the message is clear: the direction of travel is towards a higher overall tax take, with particular focus on investment income and wealth.

This note summarises the key changes that we believe are most relevant to higher earners, investors, business owners and retirees, and highlights planning actions to consider over the months and years ahead.

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2. Personal tax – the quiet power of frozen thresholds

Income tax bands and allowances

- The personal allowance remains £12,570.
- The basic rate band remains £37,700, giving a higher rate threshold of £50,270.
- The additional rate threshold remains £125,140.
- These figures are now frozen until 6 April 2031.

In practice this means that as earnings rise with inflation, more of each person's income is dragged into higher tax bands – a process often described as "fiscal drag". The OBR expects almost an extra 1 million higher-rate taxpayers by 2029/30 as a result of these freezes.

The personal allowance continues to be withdrawn once your adjusted net income exceeds £100,000, creating an effective 60% marginal rate between £100,000 and £125,140.

Planning points

- Consider additional pension contributions or Gift Aid donations if your income is close to or above £100,000, to restore some or all of your personal allowance.
- For couples, review how income producing assets are owned so that both personal allowances and basic rate bands are fully used.

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3. Dividends, savings and property income – higher taxes ahead

Dividend income

From 6 April 2026:

- Basic rate dividend tax rises from 8.75% to 10.75%.
- Higher rate dividend tax rises from 33.75% to 35.75%.
- The additional rate remains 39.35%.

The dividend allowance – the amount of dividends taxed at 0% – remains at only £500.

For many investors this means that unwrapped equity portfolios and dividends from private companies will become more expensive in tax terms.

Savings income

From April 2027, tax on interest from cash and fixed income investments increases by two percentage points:

- 22% for basic rate taxpayers.
- 42% for higher rate taxpayers.
- 47% for additional rate taxpayers.

The Personal Savings Allowance (up to £1,000 of interest for basic rate taxpayers and £500 for higher rate taxpayers) is unchanged but will go less far in a higher interest rate environment.

Property income

From April 2027, rental income will be taxed under a separate set of "property income" rates in England, Wales and Northern Ireland:

- 22% basic rate.
- 42% higher rate.
- 47% additional rate.

The devolved administrations will be able to set their own rates in future.

Ordering of reliefs

From 6 April 2027, income tax reliefs and allowances (for example personal allowance, relief for pension contributions and charitable gifts) will be set against earned income first, and only then against savings, property and dividend income.

This will make it harder to shelter investment income from tax.

Planning points

- Prioritise use of tax wrappers such as ISAs, pensions and (for appropriate clients) investment bonds to shield dividends and interest from these higher rates.
- Review unwrapped investment portfolios before April 2026/27 to consider re-positioning or “bed and ISA” strategies.
- For landlords, revisit the overall return from geared property after the new rates, and consider whether partial portfolio sales, incorporation or alternative structures are appropriate.

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4. ISAs and other savings – small structural shifts

The overall ISA subscription limit remains £20,000 a year and is frozen until at least April 2030.

However, from 6 April 2027:

- For investors under age 65, the maximum that can be paid into Cash ISAs each year will be £12,000.
- The remaining £8,000 must be invested in Stocks & Shares or other non-cash ISA components.

The Lifetime ISA remains for now, but the Government will consult in 2026 on a simpler first-time buyer ISA to replace it.

Junior ISA and Child Trust Fund limits stay at £9,000 per child.

Planning points

- Ensure you are using your £20,000 ISA allowance each tax year. Once the allowance is gone, it cannot be carried forward.
- For those who prefer cash, be aware that from 2027 more of the allowance will need to be invested to maintain full use. A cautious multi-asset ISA may be an alternative to leaving the balance in cash.
- If you hold significant cash outside ISAs, consider whether some of this can be moved into tax-efficient wrappers before savings rates and property income rates rise.

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5. Pensions – generous annual allowances, but tighter treatment on death and salary sacrifice

Annual allowances and tapering

There were no fundamental changes to the main pension contribution limits in this Budget:

- Standard annual allowance: £60,000.
- Tapering of the annual allowance where threshold income exceeds £200,000 and adjusted income exceeds £260,000, down to a minimum of £10,000.
- Money Purchase Annual Allowance (after flexibly accessing benefits): £10,000.

The abolition of the Lifetime Allowance from April 2024 remains in place but is now replaced by new limits on tax-free cash and lump sum death benefits.

Pension death benefits and IHT

Legislation announced in the 2024 Budget and confirmed again this year will bring most unused pension funds and lump sum death benefits into the scope of IHT from 6 April 2027.

Personal representatives will be able to ask pension scheme administrators to withhold up to 50% of taxable death benefits for up to 15 months to help meet any IHT liability, and will be protected from further liability where pension rights emerge after HMRC clearance has been given.

This significantly changes the long-standing assumption that pensions are always "outside the estate".

Salary sacrifice – a cap on the National Insurance advantage

From 6 April 2029:

- Pension contributions funded through salary sacrifice will only benefit from employer and employee National Insurance savings on the first £2,000 of sacrificed salary each tax year.
- Contributions above this will still benefit from income tax relief but will be subject to NICs as if no salary sacrifice had been used.

This will be particularly relevant for higher earners and business owners who currently use large salary sacrifice pension contributions as a tax efficient way to extract profit.

Planning points

- There is a four-year window (up to 5 April 2029) in which full salary sacrifice NIC advantages remain available. It may be appropriate to accelerate contributions during this period, subject to annual allowance, tapering and cash flow considerations.
- The new IHT treatment of death benefits means pension planning must now be considered alongside wider estate planning. In some cases, building assets in ISAs, investment bonds or Business Relief qualifying investments may be preferable to adding further pension contributions, particularly once retirement spending needs are fully covered.

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6. Capital gains tax and estate planning – the slow tightening continues

Capital gains tax (CGT)

- The CGT annual exempt amount remains at £3,000 for individuals and £1,500 for most trusts.
- CGT rates remain at 18% within the basic rate band and 24% for higher and additional rate taxpayers.
- From 6 April 2026, Business Asset Disposal Relief and Investors' Relief gains will be taxed at 18% (up from 10%), in line with the main lower CGT rate.

- CGT relief on disposals to Employee Ownership Trusts will reduce from 100% of the gain to 50% from 26 November 2025.

Planning points

- Make use of the £3,000 CGT exemption each year where sensible, for example by phased sales, “bed and ISA” strategies, or portfolio rebalancing.
- Business owners considering an Employee Ownership Trust or exit relying on Business Asset Disposal Relief should revisit their timings and expected net proceeds.

Inheritance tax (IHT) bands and reliefs

- The main nil rate band (£325,000) and residence nil rate band (£175,000, tapered above £2 million) are frozen until 5 April 2031.
- From April 2026, the current 100% rate of Agricultural Property Relief and Business Property Relief will generally apply only to the first £1 million of combined qualifying assets per person, with 50% relief on the balance. This allowance will be transferable between spouses and civil partners, including where the first death occurred before April 2026.

Planning points

- For clients with significant business or agricultural assets, the new £1 million 100% relief cap and the transferability between spouses may change the optimal ownership structure and the role of trusts.
- The prolonged freeze to nil rate bands, combined with house price growth, will continue to pull more estates into IHT. Lifetime gifting, trusts, family investment companies and life cover written in trust all remain important tools.

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7. Business owners and entrepreneurs

Corporation tax and capital allowances

- Corporation tax rates are unchanged: 25% main rate, 19% small profits rate, with marginal relief between £50,000 and £250,000 of profits.
- From 1 January 2026 a new 40% first-year allowance will apply to qualifying main-rate plant and machinery expenditure that does not benefit from “full expensing”.

From April 2026 the main writing down allowance reduces from 18% to 14%. The £1 million Annual Investment Allowance remains in place.

This favours businesses that can bring forward investment to access higher upfront relief.

EMI and growth incentives

From April 2026:

- Enterprise Management Incentive (EMI) eligibility will be widened to include scale-up companies as well as start-ups. Employee limits rise to 500 and the gross assets limit to £120 million, with options allowed to remain in place for up to 15 years.

This should make it easier for growing mid-sized businesses to offer tax efficient equity participation to key staff.

VCT and EIS

From 2026/27:

- Income tax relief on VCT investment will reduce from 30% to 20%, although the company-level size and investment limits for VCTs and EIS will increase.

For higher earners who have used VCTs for income and tax planning, this is a material reduction in upfront relief.

Dividend v salary and profit extraction

With higher dividend tax rates from 2026, and employer NIC at 15%, the relative attractiveness of dividends versus salary or bonuses for owner-managed businesses becomes more finely balanced. Worked examples show that, for some higher-rate taxpayers, a bonus can now produce more net income than an equivalent post-tax dividend.

Planning points

- Revisit profit extraction strategies in light of higher dividend tax and the forthcoming cap on salary sacrifice. For some directors a blend of salary, pension contribution and dividends will still be optimal.
- Consider bringing forward VCT investment to secure 30% relief while it is still available, where appropriate for risk profile and objectives.

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8. Property, vehicles and other notable measures

A few additional changes that may be relevant:

- **High value council tax surcharge (England)** – from April 2028, a new annual surcharge will apply to residential properties valued at £2 million or more, starting at £2,500 and rising to £7,500 for properties worth over £5 million.
- **Electric vehicles** – from April 2028, a per-mile charge will apply alongside Vehicle Excise Duty: 3p per mile for fully electric vehicles and 1.5p for plug-in hybrids.
- **Making Tax Digital and penalties** – the MTD regime for income tax will be expanded from April 2026 for some landlords and sole traders, with tougher penalties for late filing and payment from 2027.

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9. How Brighton Capital Management can help

The Autumn Budget 2025 confirms a clear policy direction: more of the overall tax burden will fall on higher earners, investors, landlords and business owners, primarily through frozen thresholds and higher rates on investment income.

The good news is that many of the changes are phased in over several tax years. That gives time to plan.

Depending on your circumstances, the right response may include:

- Restructuring how and where your investment income arises.
- Making full use of ISAs, pensions and, where suitable, other tax wrappers.
- Reviewing business profit extraction and remuneration strategies.

- Updating your estate planning in light of changes to Business Relief, pension death benefits and frozen IHT bands.
- Taking advantage of the remaining "window" before the salary sacrifice cap takes effect.

We will be incorporating these changes into your next review meeting and your long-term financial plan. In the meantime, if you would like to explore what the Budget means for you, your family or your business in more detail, please contact us.

Important: This summary is based on our understanding of the Autumn Budget 2025 at the date of publication. Measures may change as draft legislation passes through Parliament. This document is for information only and does not constitute personal advice or a recommendation. Tax treatment depends on individual circumstances and may change in future.