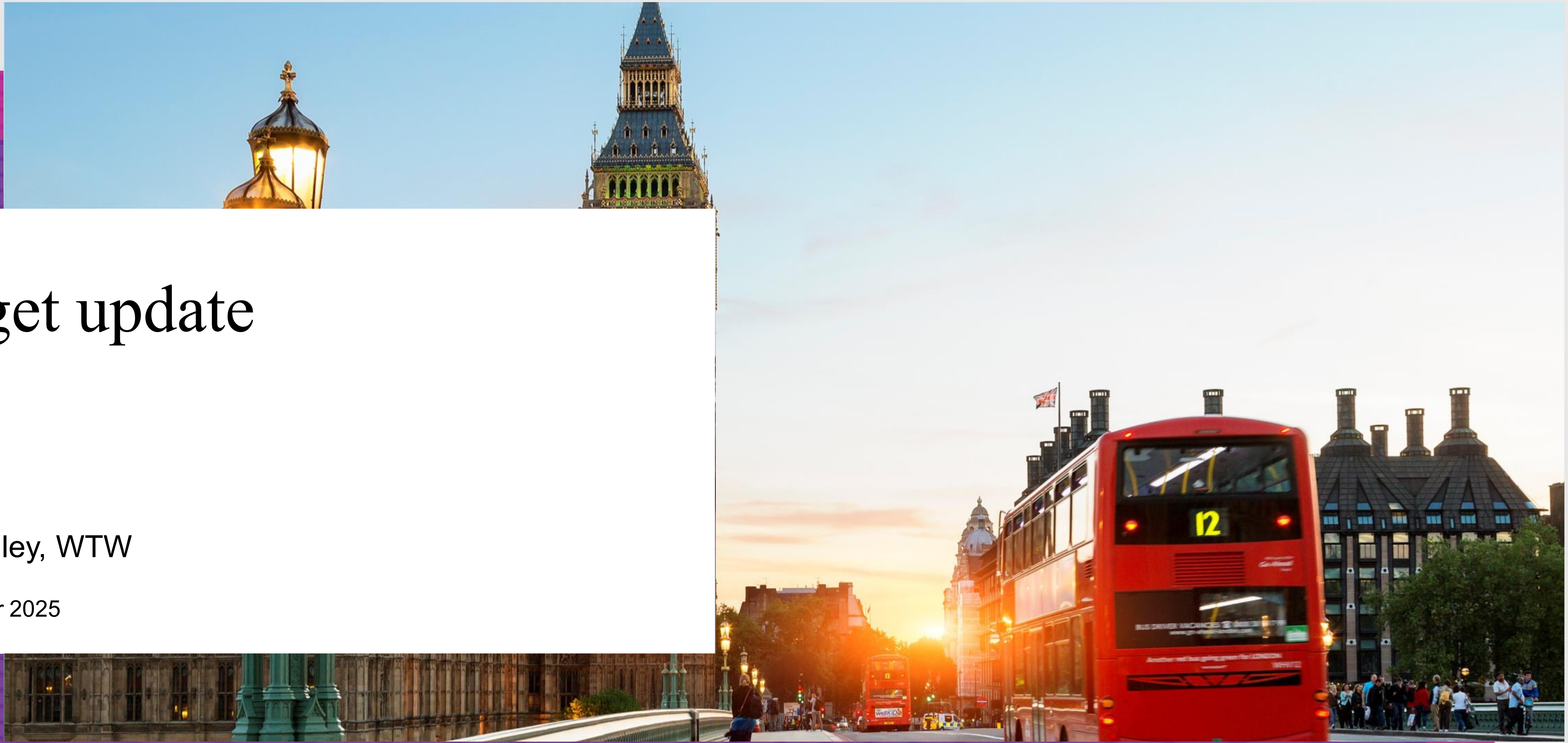


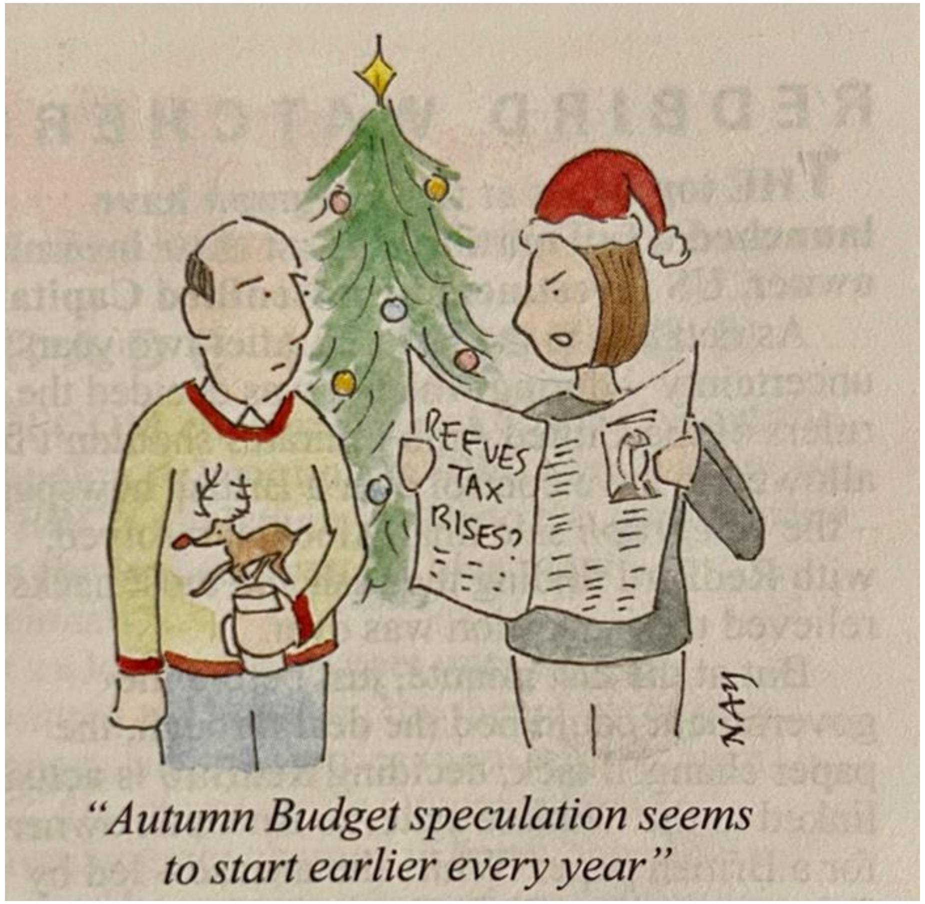
Budget update

Glyn Bradley, WTW

26 November 2025

Rumours, speculation, and kiteflying

What just happened?



Private Eye, No. 1662, 14 November 2025, p10

Rumours, speculation, and kiteflying

What just happened?

1. **Cut in National Insurance.** Cuts of 2p in employee National Insurance.

2. **Increase in Income Tax.** Increase in basic rate by 2p suggested to offset National Insurance rises, and rebalance taxes from workers to pensioners, landlords etc.

3. **Cut in tax-free cash.** Reduction in Lump Sum Allowance (LSA) mooted.

4. **Capping salary-sacrifice.** £2,000 limit suggested above which sacrificed contributions would attract National Insurance.

Headlines: non-pensions

1. **2%** rise in in basic and higher rates of tax on **dividends from April 2026**. **2% rise** in basic, higher and additional rates of tax on **savings income and property income from 2027. Main rates unchanged, and thresholds** of income tax and National Insurance freeze extended to **2030/31**.

2. Removal of two-child limit for Universal Credit.

3. High Value Council Tax Surcharge. £2,500+ on £2m+ properties.

4. Mileage-base charge on electric and plug-in hybrid cars.

Headlines: pensions

1 Salary-sacrifice pension contributions above £2,000 NI-able from 2029.

2 DB surplus to be payable directly to (old enough) scheme members from April 2027.

3 Pre-97 CPI/2.5% pension increases for Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) from Jan 2027, where the original scheme provided that benefit.

4 Inheritance Tax (IHT) treatment of unused pension funds and death benefits. Personal representatives (PRs) can direct pension schemes to withhold 50% of taxable benefits for up to 15 months and pay IHT due in certain circumstances. Will take effect from 6 April 2027.

Capping salary sacrifice (£2,000)

UK				
Reference salary	**Employee NI saving**	**Employer NI saving**	**Extra Employee NI from £2,000 cap**	**Extra Employer NI from £2,000 cap**
£40,000	£160	£300	£0	£0
£45,000	£180	£338	£20	£38
£50,000	£200	£375	£40	£75
£75,000	£75	£563	£35	£263
£100,000	£100	£750	£60	£450
£125,000	£125	£938	£85	£638
£150,000	£150	£1,125	£110	£825

Table assumes current standard National Insurance rates and thresholds continue to apply and that the minimum wage would not limit the use of salary sacrificing. The employee NI saving (and therefore the effect of the cap) falls at incomes above £50,270 because the employee NI rate is lower (2% vs 8%). The sacrificed employee contribution is 5% of their reference salary without adjustment (auto-enrolment qualifying earnings are based on a narrower band).

Please see our earlier wtwco.com article Sacrificing the future? Preparing for a Budget clampdown on pension salary sacrifice for accompanying commentary.

Disclaimer

Purpose

This summary has been prepared by WTW for attendees at its 26 November 2025 Pensions & Savings Conference as an introduction to the 2025 Budget headlines of relevance to pension schemes and their sponsoring employers.

Its purpose is to highlight the initial headlines and no decisions should be taken on the basis of it.

Disclaimer

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