

UK Autumn Budget 2025

26 November 2025



This summary sets out the key tax changes announced in Labour's 2025 Autumn Budget. For each change, we outline what's being introduced, how it will work in practice, and some of the implications for your personal finances. This budget sheet covers:

- Income Tax – what's changing and what's not plus who will pay more in the future
- Pensions & Salary Sacrifice – what savers need to know
- Changes to cash ISAs
- Overhaul of Enterprise Investment Scheme and Venture Capital Trust rules
- New annual Property Tax on £2M+ homes – how the housing market could shift
- Tax Tables for the 2026/27 tax year – the numbers at a glance

Income Tax

Threshold Freeze Until 2031

Income tax thresholds will remain **frozen until 2031** – three years longer than previously planned. The personal allowance (£12,570) and higher-rate threshold (£50,270) will not rise with inflation for the rest of the decade. This prolonged freeze is a stealth tax: as wages grow, more people get pulled into higher brackets or start paying tax. For example:

- Someone earning £48,000 today who receives a 2% annual pay rise will have a salary of circa £53,000 by 2030, pushing part of their income into the 40% bracket due to the frozen threshold.
- Many more people will drift into the **60% tax trap** (loss of personal allowance) on incomes between £100,000 and £125,140. Currently just 5% of the UK population have income above £100,000 but with allowances frozen, this could increase substantially by 2031.
- Significantly more people are expected to pay the additional rate of tax (45%) for the first time by 2031. 1.23 million people in the UK are expected to pay 45% tax this tax year. This is an 8% increase from the 2024/25 tax year and a 33% increase from 2023/24.

Increase in dividend tax rates from 6 April 2026

Dividend tax rates remain lower than tax rates on earnings and savings interest. However, **dividend tax rates will increase by 2% from 6 April 2026**, bringing dividend tax rates up to 10.75% for basic rate taxpayers and 35.75% for higher rate taxpayers from 6 April 2026. The additional rate of tax on dividend income will remain at 39.35%.

Increase in income tax on savings and property rental income from 6 April 2027

Tax on savings income and rental income will **increase by 2%** across all bands **from 6 April 2027** with the basic rate increasing from 20% to 22%, the higher rate from 40% to 42% and the additional rate from 45% to 47%.

Pension contributions - Salary Sacrifice benefits restricted

From April 2029, salary sacrifice arrangements for pensions will be restricted so that only the **first £2,000 of pension contributions each tax year will be exempt from National Insurance (NI)**. Currently, using "salary sacrifice" to contribute to a pension is very tax-efficient. Both the employee and employer save tax and NI on the amount. Pension contributions **remain an attractive way to save** with full income tax relief still available on pension contributions within the **Annual Allowance**. But the NI tax break will be limited, and employees will pay NI at 8% (for basic rate taxpayers) and 2% (for higher/additional rate taxpayers) on contributions above £2,000. For example:

- A worker earning £45,000 and sacrificing 5% into pension currently saves £630 in tax and NI on a £2,250 pension contribution. From 6 April 2029, the saving will reduce by £20 to £610 and their employer will pay an extra £37.50 in employer NI.
- An individual earning £100,000 a year who sacrifices 20% into pension will face an extra £360 in NI Contributions and their employer will pay £2,700 more. However, the employee will still save total tax and NI of £8,040 on the contribution by paying into pension versus taking the money as cash.

Individual Savings Accounts (ISAs)

Cash ISA allowance reduced

From **6 April 2027**, the **annual cash ISA allowance will reduce from £20,000 to £12,000** each tax year for those under the age of 65. The overall ISA allowance will stay at £20,000 to encourage saving into Stocks and Shares ISAs. Over 65s will maintain a cash ISA allowance of £20,000.

UK investors are a cautious group with the lowest level of investment across any G7 economy. The reduction to cash ISA limits is designed to encourage investment into companies via shares, but this move will hit those wedded to cash savings as more of these savings become taxable.

Basic and higher rate taxpayers will continue to benefit from a savings allowance of £1,000 (basic rate taxpayers) and £500 (40% taxpayers) for interest on taxable cash deposits and some tax-efficient alternatives to cash deposits remain attractive for higher rate tax payers such as NS&I Premium Bonds and low coupon gilts.

The government will also publish a consultation in early 2026 on the implementation of a new, simpler ISA product to support first time buyers to buy a home. Once available, this new product will replace the current Lifetime ISA.

Venture Capital Trust (VCT) and Enterprise Investment Sceme (EIS) rule changes

The government will widen VCT and EIS rules to boost investment in UK growth businesses. The measures will extend the number of companies eligible for these schemes but **income tax relief on investments into VCTs will reduce from 30% to 20%**.

Property

New annual property tax on £2M+ homes from 6 April 2028

The Budget introduces a **High Value Council Tax Surcharge (HVCTS) on residential properties valued above £2 million from 6 April 2028**.

The charge will be tiered by property value as follows:

Property Value	Rate
£2 million to £2.5 million	£2,500
£2.5 million to £3.5 million	£3,500
£3.5 million to £5 million	£5,000
£5 million+	£7,500

There are around 150,000 homes worth more than £2 million in the UK, with the vast majority in London and South East England. If you own a high-end property, annual costs will increase significantly, which could be a problem for asset-rich, income-poor households and those with significant mortgages. The government will ensure a support scheme is in place for those who may struggle to pay the charge.

Some owners may need to consider drawing more from savings or downsizing to avoid the new tax. This could affect demand at the top of the housing market, potentially leading to some price adjustments to stay below the £2 million line.

Inheritance Tax

The £1 million allowance for property qualifying for 100% agricultural or business relief will be transferrable between spouses and civil partners on death from 6 April 2026. No other new changes have been made to Inheritance Tax rules. However, announcements in the Autumn 2024 Budget to include pension death benefits for IHT will require careful review of income strategies and the use of pension and non-pension assets to meet retirement income needs.

- The nil rate band of £325,000 per person remains available on death and will be **frozen until April 2031**.
- For estates valued at less than £2.35 million, a Main Residence Nil Rate Band is also available on death if the Main Residence is passed to direct descendants.
- Individuals with larger estates may wish to explore wider options: the annual gift allowance (£3,000 per year) and some other allowances (such as the small gifts exemption - £250 a year and gifts on marriage – up to £5,000 for a child, £2,500 for a grandchild and £1,000 other individuals) remain unchanged.
- Lifetime gifts to individuals will remain Potentially Exempt Transfers and will be excluded from the estate for IHT after seven years.
- Surplus income which does not impact the individual's living standards can be given away using the "normal expenditure out of income" exemption – but care is needed with this approach.
- Some may look at business relief investments (where certain business assets can be passed IHT-free after 2 years) or the use of trusts with careful planning. Others might consider whole-of-life insurance in trust to cover the IHT bill, effectively pre-paying the IHT liability so assets such as property can be passed in full.

The numbers at a glance: 2026/27 tax tables

Income Tax on earnings, pensions and property rental* income

England, Wales and Northern Ireland

Income tax band	Taxable income	Tax rate for the 2025/26 tax year and from 6 April 2026
Personal allowance	Up to £12,570*	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

Scotland

Income tax band	Taxable income	Tax rate for the 2025/26 tax year and from 6 April 2026
Personal allowance	Up to £12,570*	0%
Starter rate	£12,571 to £15,397	19%
Basic rate	£15,398 to £27,491	20%
Intermediate rate	£27,492 to £43,662	21%
Higher rate	£43,663 to £75,000	42%
Advanced rate	£75,001 to £125,140	45%
Top rate	Over £125,140	48%

*Income tax on property rental income to increase by 2% from 6 April 2027

**The Personal Allowance is reduced by £1 for every £2 of taxable income over £100,000 and is fully withdrawn when taxable income exceeds £125,140 in a tax year.

National Insurance Contributions on earnings

Employees

Current rates for employees are:

NI band	Taxable income	Tax rate for the 2025/26 tax year and from 6 April 2026
Personal allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	8%
Higher rate	Over £50,270	2%

The self employed

If you are self-employed and your profits (earnings minus expenses) are more than £12,570 for the 2025/26 tax year you pay Class 4 National Insurance Contributions:

- 6% on profits over £12,570 up to £50,270
- 2% on profits over £50,270

If your profits are more than £6,845 but less than £12,570, you will be deemed to have paid Class 2 National Insurance Contributions to protect your NI record. If your profits are less than £6,845, you can choose to pay voluntary Class 2 National Insurance Contributions at £3.50 a week (for the 2025/26 tax year).

There will be no change to these rates or threshold from 6 April 2026.

Income tax on savings income

Income tax on savings income, such as interest from bank accounts and building societies, depends on your total taxable income.

The personal savings allowance means basic rate taxpayers can earn up to £1,000 of savings interest tax free each tax year and higher rate taxpayers up to £500. However, additional rate taxpayers do not receive any personal savings allowance.

If your other income (excluding savings interest) is below £17,570 in a tax year, you may also benefit from the starting savings rate of 0% on up to £5,000 of interest. However, this starting rate band is gradually reduced as your non-savings income increases above the Personal Allowance.

From 6 April 2027, tax on savings income will increase by 2% across all tax bands as follows:

Income tax band	Taxable income	Tax rate for the 2025/26 and 2026/27 tax years	Tax rate from 6 April 2027
Personal allowance	Up to £12,570	0%	0%
Basic rate	£12,571 to £50,270	8.75%	22%
Higher rate*	£50,271 to £125,140	33.75%	42%
Additional rate*	Over £125,140	39.35%	47%

The changes to UK income tax rates on savings income will apply equally to Scottish taxpayers.

Income tax on dividend income

The tax rate you pay on dividends depends on your total income and the amount of dividends you receive. Dividends on ISA investments and on investments held in pensions are tax free. For taxable investments, all UK savers get a tax-free dividend allowance of £500 (on top of any personal allowance), meaning you pay no tax on dividends up to this amount. After your tax-free allowances, dividends are taxed at different rates depending on your total income.

Dividend tax rates

Dividend tax rates will increase by 2% from 6 April 2026 as follows:

Income tax band	Taxable income	Tax rate for the 2025/26 tax year	Tax rate from 6 April 2026
Personal allowance	Up to £12,570	0%	0%
Basic rate	£12,571 to £50,270	8.75%	10.75%
Higher rate*	£50,271 to £125,140	33.75%	35.75%
Additional rate*	Over £125,140	39.35%	39.35%

*Dividend tax rates are the same in England, Scotland, Wales and Northern Ireland. However, the higher rate of dividend tax applies for income above £43,663 in Scotland.

Capital Gains Tax

You only pay Capital Gains Tax if your overall taxable gains for the tax year (after deducting base costs and losses) are above the annual exempt amount of £3,000.

Capital gains are added to taxable income to work out the rate payable. Capital Gains Tax rates for the 2025/26 tax year and from 6 April 2026 are as follows:

Income tax band	Taxable income	Tax rate 2025/26 tax year and from 6 April 2026
Personal allowance	Up to £12,570	18%
Basic rate	£12,571 to £50,270	18%
Higher rate	£50,271 to £125,140	24%
Additional rate	Over £125,140	24%

No Capital Gains Tax is payable on assets held in ISAs and pensions.

Inheritance Tax (IHT)

The nil rate band remains intact, meaning there is no IHT on the first £325,000 of an estate.

Income tax band	Tax rate 2025/26 tax year and from 6 April 2026
Personal allowance	£325,000
Main Residence Nil Rate Band*	£175,000

*The Main Residence Nil Rate Band is only available for "net estates" of less than £2.35 million (with tapering for estates worth more than £2 million) and where the main residence is passed on to direct descendants. Where applicable it can increase the value of the estate which does not attract IHT by up to £175,000.

Inheritance tax rates

Income tax band	Tax rate 2025/26 tax year and from 6 April 2026
Chargeable lifetime gifts	20%
Gifts on death	40%

Exempt lifetime gifts

Immediately exempt lifetime gifts	Tax rate 2025/26 tax year and from 6 April 2026
Annual exemption	£3,000
Small gifts exemption	£250 per person annually
Gifts on marriage: To children To grandchildren To others	£5,000 £2,500 £1,000
Regular gifts out of income (which do not impact your standing of living)	Unlimited*

(*Care and careful record keeping will be needed if making use of this exemption)

For further support

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