

The 2025 Autumn Budget: what it really means for HNW families, professionals and business owners.



The 2025 Autumn Budget has been widely billed as a “tax rises for all” statement, with freezes to thresholds, higher taxes on wealth and investment, and new levies on property. Commentators from the OECD and the Office for Budget Responsibility have already warned that the package could act as a ‘headwind’ to growth and living standards.

For many across the UK, the challenge isn’t absorbing more commentary. It is understanding, calmly and clearly, which changes matter for them, over the next decade of their lives and their children’s lives – and

which can safely be classed as background noise. This article focuses on that distinction. It is deliberately non-political, but it is unavoidably candid.

The Big Picture

Despite the drama on the day (OBR early release) and the political jousting since, with ten-year gilt yields sitting between their opening and their lowest levels on Budget Day, one might conclude that the 2025 budget was something of a non-event for investors. However, as usual, the devil is in the detail and what those details seem to confirm is that this was a highly political budget.

Rachel Reeves used the opportunity to take advantage of some short-term changes in the forecasts from the OBR, the net effect of which meant that her starting position was not quite as dire as she had led everyone to believe (hence the political furore over the weekend). That allowed her the scope to placate Labour's back benchers by scrapping the two-child benefit cap and reversing previously planned reductions in disability payments and winter fuel allowances.



At the same time, she placated the bond market by increasing the so-called 'headroom' around her target to balance the budget by 2029/30. To do this, while funding the increase in welfare payments, she announced tax rises of £26 billion from a combination of increased personal taxation (£15bn) and a 'smorgasbord' of other tax rises (£11bn). Importantly, however, while the increase in spending is generally 'front-loaded', the vast majority of the announced tax rises will not take effect until after April 2028. This means that government borrowing will be higher in the intervening years. Nonetheless, because of the timing of cash flows and the revised starting situation, the Debt Management Office's need to issue gilts over the next few years will probably fall: another factor that reassured the gilt market.

Nonetheless, it's easy to conclude that the Budget was driven as much by political expediency as economics. Despite its huge majority, the Labour government has been under severe pressure, not only from within its own ranks but by the significant rise in the popularity of the Reform Party. By increasing welfare payments and raising taxes on houses over £2m, not to mention the abolition of duty on bingo, one might believe that the Chancellor's short-term priority was to boost her credentials with the left wing of the Parliamentary Labour Party. And while conventional economic wisdom suggests that you can't tax your way to growth, her hope seems to be that despite the impact of the tax rises from last year's budget, GDP growth will be stronger than forecast, enabling her to avoid enacting all those additional tax rises shortly before the next election.

Perhaps the most significant political impact, however, has been to reignite the debate about the size of the State. UK government expenditure now accounts for almost 45% of GDP and the overall tax burden is heading towards a post-war high of 38%. This appears to be encouraging many voters to ask whether the significant rise in the burden of taxation is justified by the ability of any government to spend taxpayers' money more wisely than they can themselves. If they conclude that the answer is "no" and that they no longer trust either Labour or the Conservatives to address the issue, then come 2029, that may lead to one of the most divisive, but potentially consequential, general elections since World War Two.



1. Income tax: Threshold freeze extended to 2030/31

The Government has extended the freeze on personal income-tax thresholds and employer NIC thresholds to 2030/31.

In practice, this means:

- The personal allowance, higher-rate threshold and additional-rate threshold remain static in cash terms.
- As earnings and bonuses rise, more income is dragged into the 40% and 45% bands – the classic ‘fiscal drag’ that many have highlighted as the single largest tax-raising measure in this Budget.

Planning implications

For higher earners, this is less about 2025/26 alone and more about compounding over the rest of the decade:

- **Pension contributions** – Pensions remain one of the most efficient tools to counter bracket creep: income-tax relief is untouched and the 25% tax-free lump sum is preserved (see Section 11).
- **Bonus and LTIP structuring** – For senior executives, there is an increasing case for reviewing the split between salary, bonus, deferred shares and pension contributions, particularly where total comp hovers around threshold levels in more than one tax year.
- **Family gifting strategy** – For those already financially secure, gifting surplus income or capital into the family structure (while the seven-year rules and exemptions are unchanged) can help offset the cumulative impact of higher annual tax leakage.

2. Tax on investment income – dividends, property and savings

2.1 Dividend tax (from 6 April 2026)

Dividend tax rises by 2 percentage points for basic and higher-rate bands from April 2026:

- **Basic rate:** 10.75% (from 8.75%)
- **Higher rate:** 35.75% (from 33.75%)
- **Additional rate:** remains at 39.35%
- The £500 dividend allowance remains frozen.

This measure has been particularly difficult for business owners and investors to take because the change lands on top of already-reduced allowances and frozen thresholds.

Practical actions

- **Bring forward dividends** – Where appropriate, consider accelerating dividend distributions into 2025/26 to make use of current rates and unused allowances.
- **Corporate vs personal ownership** – For business owners with surplus capital in their companies, this increases the relative attractiveness of corporate investments and family investment companies (FICs), where profits are taxed at corporation tax rates rather than at dividend rates personally.
- **Family income planning** – There is a renewed case for spreading dividend streams across family members within the rules and making more systematic use of ISAs and pensions.



2.2 Property income and savings income (from 6 April 2027)

From April 2027, property income and savings income tax rates both rise by 2 percentage points across all bands:

- **Basic rate:** 22% (from 20%)
- **Higher rate:** 42% (from 40%)
- **Additional rate:** 47% (from 45%)

This has been flagged as part of a deliberate move to 'narrow the gap' between tax on work and tax on income from assets.

Why this matters:

- Cash is now even less compelling as a long-term store of value: after tax and inflation, real returns on deposit cash are structurally weak for higher-rate taxpayers.
- Leveraged buy-to-let looks increasingly marginal, especially where borrowing costs remain elevated and relief is restricted.

Planning implications

- Hold operational and contingency cash but be explicit about how much is truly needed. Surplus cash beyond that horizon should be reviewed for potential investment deployment or structured cash-like solutions.
- Re-assess property portfolios: are they genuinely outperforming, after tax, costs and time, compared to diversified multi-asset portfolios?
- Use wrappers intelligently (pensions, ISAs, insurance bonds) to shield investment income where appropriate.

3. The “Mansion Tax” – High Value Council Tax Surcharge

From April 2028, a new High Value Council Tax Surcharge will apply to homes in England valued above £2m, based on 2026 Valuation Office Agency (VOA) assessments.

Indicative bands:

Property value	Annual charge
£2m – £2.5m	£2,500
£2.5m – £3m	£3,500
£3m – £5m	£5,000
£5m+	£7,500

This is expected to raise around £430m annually, with most affected properties in London and the South East.

Planning implications

- **Budgeting, not panic** – For most HNW property owners, the surcharge is material but not transformational. It is another line item in the running cost of high-value property.
- **Ownership structures still matter** – Personal vs company ownership, use of debt, and how property fits into wider IHT and succession planning.
- **Liquidity and concentration** – This is another nudge towards questioning how much family wealth should be tied up in UK residential property, especially if future governments revisit thresholds or rates.



4. Salary sacrifice & National Insurance – the £2,000 NIC cap

From April 2029, only the first £2,000 a year of employee pension contributions via salary sacrifice will be exempt from National Insurance. Contributions above that will still get income-tax relief, but both employee and employer NICs will apply.

This is a key structural shift in pension planning and employee reward.

What stays the same

- Employer pension contributions remain NIC-free.
- Pension tax relief, annual allowance rules and the 25% tax-free lump sum remain unchanged.

Planning implications

- For high-earning professionals heavily using salary sacrifice, the marginal benefit reduces above £2,000 p.a. but doesn't disappear – income tax relief still applies.
- Employers may reassess remuneration design and the balance between cash, pension, and other benefits.
- The deferred start date (2029) provides a multi-year runway to redesign schemes and avoid rushed decisions.



5. ISA reforms – Cash ISA cap and direction of travel

From April 2027:

- The overall ISA allowance remains £20,000, but;
 - For those under 65, Cash ISA subscriptions are capped at £12,000; at least £8,000 must be into a Stocks & Shares ISA.
 - Over-65s can still allocate the full £20,000 to Cash ISAs.

HMRC has also moved to close perceived 'loopholes', including:

- Tighter rules on moving money from Stocks & Shares ISAs back to Cash ISAs.
- Tests for 'cash-like' instruments in Stocks & Shares ISAs and potential penalties if cash is simply parked indefinitely. We continue to monitor whether money market funds could be held within Stocks & Shares ISAs.

6. VCT & EIS – relief cut, limits up

From April 2026:

- VCT income-tax relief falls from 30% to 20%.
- At the same time, VCT and EIS investment limits are being increased, so more (and larger) scale-ups can qualify.

Technical briefings and industry bodies are unanimous on two points:

1. The risk/return and behavioural economics of VCT investing change once relief drops to 20%.
2. There is likely to be a sharp 'pull-forward' of flows into VCTs before April 2026, which we are already seeing in early data.

Planning implications

- For clients with a genuine tolerance for illiquidity and capital risk, 2025/26 may represent the 'last chance' to commit at 30% relief.
- Beyond that, VCTs may still play a role, but will need to justify themselves more on underlying performance and diversification rather than headline tax relief.

7. Employee Ownership Trusts (EOTs) – relief halved and rules tightened

From 26 November 2025:

- CGT relief on qualifying disposals to EOTs is cut from 100% to 50%.
- Business Asset Disposal Relief and Investors' Relief cannot be claimed on the remaining 50% of the gain.

Control rules are also tightened further (continuing reforms from 2024):

- Founders and connected persons cannot retain direct or indirect control.
- At least one independent trustee must be in place.
- Restrictions on appointing family members or associates who could be influenced.

EoTs will remain as an option for aborted or failed company sale processes as an option of last resort, but they are now unlikely to be a primary option for business owners.

Corporate Finance View

The reduction to CGT relief is likely to have a significant impact on the adoption rates of EOTs as they become materially less attractive given the low Day 1 consideration associated with their structure. Whereas previously there was a 24% tax incentive which offset the risk of receiving the consideration over 5-7 years, an effective rate tax saving of 12% over the life of the EoT is unlikely to be attractive to business owners compared to the returns that can be achieved from a Day 1 consideration received from a company sale. EoTs will remain as an option for aborted or failed company sale processes as an option of last resort, but they are now unlikely to be a primary option for business owners.

Planning implications for owners

- EOTs remain attractive in some scenarios (cultural legacy, staff engagement), but the 'no CGT' era is over.
- Vendors now need to model post-tax outcomes for alternative exit routes: trade sale, private equity, partial family buy-out or phased de-risking.
- For owners who were close to transacting, there may still be scope to refine structure, but the headline 50% relief is now baked in.

8. APR/BPR – £1m 100% relief allowance becomes transferable

- From 6 April 2026, the £1m combined allowance for 100% Agricultural Property Relief (APR) and Business Property Relief (BPR):
- Becomes transferable between spouses and civil partners, similar to the main nil-rate band and Residence Nil Rate Band.
- Can be picked up even where the first death occurred before April 2026.
- Above £1m, relief generally falls to 50%.

Planning implications

- This is genuinely welcome for farming families and business owners, simplifying will-writing and reducing the need for contrived structures to 'use' relief on first death.
- It increases the importance of asset mapping: which assets fall into 100% relief, 50% relief or no relief, and how they are held between spouses.
- The announcement does not remove the need to review partnership agreements, share registers and trust arrangements – it simply gives a little more flexibility.



9. Other revenue measures

Briefly:

- EV road charging: from April 2028, per-mile charges for EVs and plug-in hybrids (currently 3p and 1.5p respectively) are scheduled to begin, bringing EV users gradually into the motoring-tax net.
- Fuel duty: long-standing freezes are being unwound more slowly than once feared, but the direction of travel is upward in real terms.
- Lifestyle levies: extensions to sugar tax and tourist-sector charges are modest at HNW level but may affect specific businesses in hospitality, leisure and food and drink.

For most HNW households these are second-order issues, but for business-owning clients in affected sectors, they should feed into profitability and cash-flow modelling.

10. What has not changed?

Equally important are the areas where the Chancellor chose not to act, despite intense speculation:

- Triple lock on the State Pension remains in place.
- Pension tax-free cash (PCLS) remains at 25%.
- No changes to annual or tapered pension allowances or to core pension tax relief mechanics.
- Seven-year gifting rules unchanged.
- Nil-rate band remains frozen (until 2031), as does the Residence Nil Rate Band, but they are still in place.
- Gifting exemptions (annual £3,000, small gifts, normal expenditure out of income) unchanged.
- No further changes to AIM inheritance-tax relief, after last year's tightening.

In other words, the core building blocks of pension and estate planning are intact. For all the focus on new levies and caps, most families' long-term planning architecture remains usable.