



Introduction

The 2025 Autumn Budget Statement, which is published in full on HM Treasury's website [here](#) was made by the Chancellor of the Exchequer, Rachel Reeves, on Wednesday 26th November.

This document provides a summary of the key announcements made in this Autumn Budget Statement together with confirmation of what the tax rates and thresholds for the next 2026/27 tax year will be.

The economy

The Office of Budget Responsibility (OBR) has confirmed that there has been GDP growth in 2025, living standards have risen and real household disposable income has increased.

Despite stronger performances in some areas, the UK still faces longstanding economic challenges.

UK GDP has grown by 1.0% in 2025 to date and is expected to reach 1.5% by the end of 2025. From then on, the outlook has been downgraded from what was projected in March to 1.4% in 2026, 1.6% in 2027, and 1.5% in both 2028 and 2029.

The OBR expects inflation to reach 3.5% this year, which is slightly higher than estimated in March when it was predicted to be 3.2%. The OBR have also increased next year's forecast from 2.1% to 2.5%, but maintains its 2% estimate for 2027, 2028 and 2029.

Finally, the OBR expects total employment to increase from 34.2 million in 2025 to 35.4 million in 2030 which is higher in every year of the forecast than previously expected. It has also been forecast that the unemployment rate will peak at 5% in the first half of 2026 before falling to 4.1% by the end of the forecast period.

Income Tax

Income Tax Rates and Thresholds

The main rates of income tax for the 2026/27 tax year will remain at 20% for basic rate taxpayers, 40% for higher rate taxpayers and 45% for additional rate taxpayers.

And, because both the personal allowance of £12,570 and the basic rate band of £37,700 will remain fixed at these levels until 5 April 2031, this means that the threshold above which higher rate tax will become payable (the personal allowance plus basic rate band) will also remain fixed at £50,270.

From 6 April 2026, the threshold above which additional rate tax becomes payable will also remain unchanged at £125,140 until 5 April 2031, so for individuals with a full personal allowance, the 40% higher rate will apply to income between £50,271 and £125,140 and 45% tax will apply to income above £125,140.



Individuals with 'adjusted net incomes' above £100,000 will also continue to have their personal allowance reduced by £1 for every £2 of income above this £100,000 limit, the result of which is that the personal allowance will be fully withdrawn for those with 'adjusted net incomes' of £125,140 or more, where (broadly) 'adjusted net income' is the total income on which an individual is assessable for income tax, less the gross amount of their own pension and gift aid contributions.

No changes were announced regarding the Marriage Allowance so in 2026/27 a spouse or civil partner who is not liable to income tax or not liable above the basic rate for a tax year will continue to be entitled to transfer up to 10% of their personal allowance (£1,260 in 2026/27) to their spouse or civil partner provided that the recipient of the transfer is not liable to income tax above the basic rate. The transferor's personal allowance will then be reduced by up to £1,260, and the spouse or civil partner receiving the transferred allowance will be entitled to a reduced income tax liability of up to £252.

The married couple's allowance, which is only available where at least one party to the marriage was born before 6 April 1935, increases by 3.8% from £11,270 to £11,700 with the minimum allowance also increasing by 3.8% from £4,360 to £4,530.

The blind person's allowance also increases by 3.8% from £3,130 to £3,250.

Property income

The government will create separate tax rates for property income. From 2027/28, the property basic rate will be 22%, the property higher rate will be 42%, and the property additional rate will be 47%. These rates will apply across England, Wales and Northern Ireland.

Starting rate for savings tax

The band of savings income that is subject to the 0% starting rate will remain unchanged at £5,000 in 2026/27.

The rates of income tax applicable to savings income will also remain unchanged in 2026/27 but from 2027/28, the savings basic rate will be increased by 2 percentage points to 22%, the savings higher rate will be increased by 2 percentage points to 42% and the savings additional rate will be increased by 2 percentage points to 47%. This will be legislated for in Finance Bill 2025/26 and take effect from 6 April 2027.

Personal savings allowance

This will remain unchanged at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers and there will continue to be no personal savings allowance for additional rate taxpayers.



Dividend allowance

The tax-free dividend allowance, which was reduced from £5,000 to £2,000 with effect from the start of the 2018/19 tax year and reduced from £2,000 to £1,000 in 2023/24 and reduced again to £500 in 2024/25 will remain at £500 in 2026/27 and any dividends in excess of this will be taxed at the following rates depending on which tax band they fall in:

- Basic rate - 10.75% (increased from 8.75% in 2025/26)
- Higher rate - 35.75% (increased from 33.75% in 2025/26)
- Additional rate - 39.35% (unchanged from 2025/26)

National Insurance

In the 2026/27 tax year:

- The lower earnings limit for the purpose of employee primary class 1 NI contributions will be £129 a week (£6,708 pa)
- The primary earnings threshold for class 1 employee NI contributions will be £242 a week (£12,570 pa); and
- The secondary earnings threshold for class 1 employer NI contributions will be £96 a week (£5,000 pa).

The Upper Earnings Limit (UEL) for primary and secondary Class 1 NI contributions will remain aligned with the higher rate income tax limit, so for 2026/27 the threshold will be £967 a week (£50,270 pa).

The rates of NI payable by both employees and the self-employed in 2026/27 will also remain as follows:

- The main rate of Class 1 NI contributions for employees will be 8%
- The main rate of Class 4 NI contributions for the self-employed will be 6%; and
- Self-employed people with profits above £12,570 a year will continue not to be required to pay Class 2 NI contributions but will continue to receive access to contributory benefits, including the State Pension.

No changes were announced for the additional rate of Class 1 and Class 4 NI contributions so these will remain at 2% for both the employed and self-employed.

For those paying voluntarily NI contributions, from 6 April 2026 the Class 2 rate will increase from £3.50 to £3.65 per week and the Class 3 rate will increase from £17.75 to £18.40 per week.

The Class 1 NI rate payable by employers for employees with earnings above the secondary earnings threshold of £5,000 pa will also remain at 15%.



Capital Gains Tax

Annual exemption

The annual exempt amount, which was cut from £6,000 for individuals in 2023/24 to £3,000 in 2024/25, will remain at £3,000 in 2026/27.

Gains which qualify for business asset disposal relief up to a lifetime limit of £1m will increase from 14% for disposals made on or after 6 April 2025 to 18% for disposals made on or after 6 April 2026.

Tax rates

For disposals made on or after 6 April 2026, the Capital Gains Tax (CGT) rates will remain at 18% for chargeable gains that fall within an individual's available personal allowance, starting rate and basic rate band and 24% for gains that fall within the higher and additional rate bands.

The rates for chargeable gains made on residential properties which are not eligible for principal private residence relief (such as buy-to-lets) will also remain unchanged at 18% for gains that fall within an individual's available personal allowance, starting rate and basic rate band and 24% for gains that fall within the higher and additional rate rate bands.

Stamp Duty Land Tax

With effect from 1 April 2026, in England and Northern Ireland:

- The nil rate threshold above which stamp duty becomes payable on residential property purchases by individuals who are not First Time Buyers will remain at £125,000; and
- The nil rate threshold for First Time Buyers will remain at £300,000 and the maximum property purchase price that will qualify for First Time Buyers Relief will also remain at £500,000

In 2026/27, the SDLT 'additional rate' for second properties will also remain at 5% above the standard residential rates.



Inheritance Tax

Nil Rate Band

In 2026/27, the normal ('any assets') nil rate band will remain at £325,000 and it will remain fixed at this level until 5 April 2031.

There are no changes to IHT rates, so in 2026/27 the rate for chargeable lifetime transfers will remain at 20% and the rate on death will also remain at 40%.

Residence Nil Rate Band

The 'residence nil rate band' (RNRB) has been available in addition to the normal ('any assets') nil rate band of £325,000 for deaths occurring after 5 April 2017 where either:

- A qualifying interest in a residential property which is (or has previously) been used as the main residence is passed on death to a direct descendant of the deceased; or
- A person sells or gifts their main residence, or downsizes to a less valuable main residence, on or after 8 July 2015 and leaves either a lower value main residence or assets of an equivalent value to the lost RNRB on death to a direct descendant.

In 2026/27, the RNRB will remain at £175,000 and it will remain fixed at this level until 5 April 2031.

The £2m taper threshold, which is the threshold above which the RNRB is reduced by £1 for every £2 that the value of a deceased's net estate (after deducting liabilities but before deducting any reliefs and exemptions) exceeds £2m, will also remain fixed at £2m until 5 April 2031.

Agricultural and Business Property Relief

Any unused £1 million allowance for the 100% rate of agricultural property relief and business property relief will be transferable between spouses and civil partners, including if the first death was before 6 April 2026. This will be legislated for in Finance Bill 2025/26 and take effect from 6 April 2026.

High Value Council Tax Surcharge

The government will introduce the High Value Council Tax Surcharge, which will be a new annual charge payable in addition to Council Tax by owners of residential property in England worth £2 million or more, starting in 2028/29.

Properties above the £2 million threshold will be placed into bands based on their property value. The surcharge is expected to start at £2,500 for properties valued between £2m and £2.5m rising to



£7,500 for properties valued in excess of £5m and charges will then increase in line with CPI inflation each tax year from 2029/30.

Local authorities will collect this revenue on behalf of central government and will be used to support funding for local government services, with further detail to be set out at the next spending review.

Corporation Tax

For the 2026 Financial Year which runs from 1 April 2026 to 31 March 2027 both the 25% main rate of corporation tax and the 'small profits' rate of 19% will remain unchanged for companies with profits below a lower limit of £50,000.

Profits exceeding the upper limit of £250,000 will therefore continue to be charged at the main rate of 25% but marginal relief provisions mean that where a company's profits fall between the £50,000 lower and £250,000 upper limits, it will be able to claim an amount of marginal relief that bridges the gap between the lower and upper limits providing a gradual increase in the Corporation Tax rate.

VAT

There will be no change to the current standard VAT rate of 20%.

Trust Taxation

Because the maximum capital gains tax annual exemption for both discretionary and interest in possession trusts will remain unchanged at half the rate for an individual this means that it will be £1,500 in 2026/27.

No changes were announced for trust income tax rates so in 2026/27 the income tax rate for discretionary trusts will remain unchanged at 45% for interest and 39.35% for dividends.

For interest in possession trusts where the income is not mandated directly to a beneficiary, the trustees will also remain liable to income tax at the basic rate of 20% on interest and 8.75% on dividends.

Venture Capital Trusts

From 6 April 2026, the Income Tax relief that can be claimed by an individual investing in a VCT will be reduced to 20% from the current rate of 30%.



Pensions

Annual Allowance

Standard Annual Allowance and Money Purchase Annual Allowance

Because no changes to the standard annual allowance or money purchase annual allowance were announced this means that in 2026/27 the standard annual allowance will remain at £60,000 and the money purchase annual allowance will remain at £10,000.

Tapered Annual Allowance

Because no changes to the Tapered Annual Allowance were announced this means that in 2026/27 only those high earners with 'threshold income' over £200,000 *and* 'adjusted income' over £260,000 will be subject to the Tapered Annual Allowance.

Pensions and IHT

Personal representatives will be able to direct pension scheme administrators to withhold 50% of taxable pension death benefits for up to 15 months and pay Inheritance Tax due in certain circumstances. Personal representatives will also be discharged from a liability for payment of Inheritance Tax on pensions discovered after they have received clearance from HMRC. This will be legislated for in Finance Bill 2025/26 and take effect from 6 April 2027.

Salary sacrifice for pension contributions

From 6 April 2029, only the first £2,000 of employee pension contributions through salary sacrifice each year will be exempt from NICs. Contributions through salary sacrifice, like all pension contributions, will still be exempt from Income Tax (subject to the usual limits).

Employers and employees can still make contributions above £2,000 through salary sacrifice arrangements. However, employee contributions above this amount will be subject to employer and employee NICs like other employee workplace pension contributions.

State Pension

Under the 'triple lock' that once again applies in the 2026/27 tax year, for people with an adequate national insurance record both the Basic State Pension for people who attained State Pension Age *before* 6 April 2016 and the New State Pension for people who attained State Pension Age *on or after* 6 April 2016 will be increased by the average percentage increase in earnings for the year ending September 2025 of 4.8%.



In 2026/27, the full Basic State Pension will therefore increase from £176.45 to £184.90 a week and the full New State Pension will increase from £230.25 to £241.30 a week.

The government will also ease the administrative burden for pensioners whose sole income is the basic or new State Pension without any increments so that they do not have to pay small amounts of tax via Simple Assessment from 2027/28 if the new or basic State Pension exceeds the Personal Allowance from that point. The government is exploring the best way to achieve this and will set out more detail next year.

Individual Savings Accounts (ISAs)

The adult ISA annual subscription limit will remain unchanged at £20,000 until 5 April 2031 and the maximum that can be subscribed to a Lifetime ISA will also remain unchanged at £4,000 until 5 April 2031.

From 6 April 2027, however, the maximum amount that the under 65's will be able to subscribe to a Cash ISA each tax year will be cut to £12,000.

Junior ISAs and Child Trust Funds

The annual subscription limit for Junior ISAs and Child Trust Funds will also remain unchanged at £9,000 until 5 April 2031.

Lifetime ISAs

The government will 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 be offered in place of the Lifetime ISA.

BANKHALL ●

Autumn Budget 2025

First look summary



Contact us

If you have any queries or comments regarding the information contained in this document, please don't hesitate to get in-touch. Email us at Technical.Services@sbg.co.uk.