



CRAVEN STREET
WEALTH



0330 320 9280



info@cravenstreetwealth.com



Autumn Budget 2025



Tom Barnett
Managing Director

At Craven Street Wealth, we are committed to presenting financial matters in a way that is clear, timely and easy to navigate.

The 2025 Autumn Budget was delivered against conditions of moderate growth, inflation that remains above target, and interest rates holding at elevated levels. It introduces a number of structural tax changes and fiscal-drag measures, including a continued freeze on income-tax thresholds, higher taxes on savings, dividends and property income, reduced tax-efficient allowances, and new levies affecting pensions and investments.

This is a sensible time to review your financial position: consider cash-flow needs, explore opportunities for long-term growth, and ensure you are making full use of available tax-efficient allowances ahead of the upcoming changes.

We hope this summary gives you useful perspectives, and we welcome the opportunity to discuss what it means for your plans, or those of the clients you support.

Budget highlights

- The income tax personal allowance and thresholds, as well as employee and self-employed national insurance contribution thresholds, will be frozen for another three years, until 6 April 2031.
- Tax rates on dividends will rise for basic and higher rate taxpayers by two percentage points from 2026/27. On savings income and property income, rates will rise by two percentage points from 2027/28 for basic, higher and additional rate taxpayers.
- Salary sacrifice to fund pension contributions will effectively be capped at £2,000 a year, starting in 2029/30.
- From April 2028 a high value council tax surcharge will be introduced on properties valued at over £2 million.
- A pay-per-mile charge will be introduced for electric vehicles (including hybrids) from April 2028.
- Unused inheritance tax (IHT) agricultural and business reliefs will be transferable between spouses and civil partners on death.
- The IHT nil rate band and residential nil rate band will be frozen for another year until 6 April 2031.
- The maximum subscription to cash ISAs will be reduced to £12,000 from 2027/28 for those under age 65, but the overall ISA limit will remain at £20,000.
- The two child benefit cap will be scrapped from April 2026.
- Enterprise management incentive eligibility will be increased to allow scale-ups, as well as start-ups, from April 2026.

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Introduction

You could be forgiven for thinking that the run up to Rachel Reeves' second Budget got underway in early summer. It was in June that the government climbed down on the winter fuel payment, while July saw cuts to disability benefits abandoned. Together those U-turns created a fiscal hole of around £6 billion by 2029/30. Given that in March 2025 Reeves had left herself only £9.9 billion of fiscal headroom, £6 billion was enough to fire the starting gun for speculation about Budget tax rises.

It was not until early September that the Chancellor announced the Budget date, giving the Office for Budget Responsibility (OBR) and the media 12 weeks' notice rather than the usual ten. Before long, the pitch-rolling began, with stories about the OBR reducing its growth assumptions and the need to find £20-£30 billion in tax and/or spending cuts.

By early November, the Chancellor was giving an 8.10 am 'Scene setter' speech in which she said, "If we are to build the future of Britain together, we will all have to contribute to that effort". This was widely interpreted as meaning that income tax rates would rise, breaking a Labour manifesto commitment. Little more than a week later, the *Financial Times* revealed income tax rate rises were off the table, to be replaced by a smorgasbord of tax increases.

In the event, the Chancellor delivered just such a platter of taxing morsels. By far the most significant revenue-raising measure was the three-year extension of the freeze on personal income tax and national insurance thresholds – one year longer than the pre-Budget rumours had suggested.

The OBR, blushing from its pre-emptive publication of documents on the day, at least managed to summarise matters neatly: "...the Budget delivers a frontloaded increase in spending of £9 billion and backloaded increase in taxes of £26 billion".



Official portrait of Rachel Reeves MP, by Lauren Hurley, licensed under Open Government Licence v3.0

Personal taxation

Main personal allowances and reliefs	2026/27	2025/26
Personal allowance ¹	£12,570	£12,570
Married couple's / civil partners' transferable allowance	£1,260	£1,260
Blind person's allowance	TBA ²	£3,130
Rent-a-room relief	£7,500	£7,500
Property allowance and trading allowance (each)	£1,000	£1,000

1. Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000.

2. Due to increase by 3.8% but the figure has not been confirmed.

Income tax rates and bands	2026/27	2025/26
UK taxpayers excluding Scottish taxpayers' non-dividend, non-savings income		
20% basic rate on taxable income up to	£37,700	£37,700
40% higher rate on next slice over	£37,700	£37,700
45% additional rate on income over	£125,140	£125,140
All UK taxpayers		
Starting rate at 0% on band of savings income up to ³	£5,000	£5,000
Personal savings allowance at 0%:		
basic rate taxpayers	£1,000	£1,000
higher rate taxpayers	£500	£500
additional rate taxpayers	£0	£0
Dividend allowance at 0% tax – all individuals	£500	£500
Tax rates on dividend income:		
basic rate taxpayers	10.75%	8.75%
higher rate taxpayers	35.75%	33.75%
additional rate taxpayers	39.35%	39.35%

3. Not available if taxable non-savings income exceeds the starting rate band.

Scottish taxpayers' non-dividend, non-savings income	2026/27	2025/26
19% starter rate on taxable income up to	TBA	£2,827
20% basic rate on next slice up to	TBA	£14,921
21% intermediate rate on next slice up to	TBA	£31,092
42% higher rate on next slice up to	TBA	£62,430
45% advanced rate on next slice up to	TBA	£125,140
48% top rate on income over	TBA	£125,140

The Scottish Budget will be published on 13 January 2026.

Trusts	2026/27	2025/26
Income exemption generally	£500	£500
Dividends (rate applicable to trusts)	39.35%	39.35%
Other income (rate applicable to trusts)	45%	45%

High income child benefit charge: 1% of benefit per £200 adjusted net income between £60,000 and £80,000.

Personal taxation

Income tax

The personal allowance for 2026/27 will remain at £12,570, the higher rate threshold will stay at £50,270 and the additional rate threshold at £125,140. The freeze to these thresholds will be extended for another three years, up to and including 2030/31.

Savings rate band

The 0% band for the starting rate for savings income for 2026/27 will remain at its current level of £5,000.

Dividend tax

The ordinary and upper rates of tax on dividend income will rise by two percentage points to 10.75% and 35.75% from April 2026. There will be no change to the dividend additional rate of 39.35%. The dividend allowance will remain at £500 for 2026/27.



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Don't lose your personal allowance. Your personal allowance of £12,570 is reduced by £1 for every £2 of income between £100,000 and £125,140. You may be able to make a pension contribution or charitable gift to bring your income below £100,000.

Savings tax rate

From April 2027, the tax rate on savings income will rise by two percentage points across all tax bands to 22%, 42% and 47%.

Property income

A new set of tax rates will apply to property income from April 2027. The property basic rate will be 22%, the property higher rate will be 42% and the property additional rate will be 47%. The changes to property income rates will apply in England, Wales and Northern Ireland.

The government will engage with the devolved governments of Scotland and Wales to provide them with the ability to set property income rates in line with their current income tax powers.

Ordering of income tax reliefs and allowances

The income tax rules will be changed from 6 April 2027 so that reliefs and allowances deductible in income tax calculations will only be applied to property, savings and dividend income after they have been applied to other sources of income.

National insurance contributions (NICs)

The NIC thresholds for employees and self-employed individuals will be frozen at their current levels for a further three years from April 2028 to April 2031. The class 1 secondary threshold will also be held at its current level of £5,000 from April 2028 to April 2031.

Access to pay voluntary class 2 NICs abroad will be removed from 6 April 2026. The period of initial residency or contributions required to pay any voluntary NICs outside of the UK will be increased to ten years.

The government will also launch a wider review of voluntary NICs with a call for evidence in the new year.

Car taxes

A new mileage charge for electric and plug-in-hybrid cars (PHEV) will come into effect from April 2028. Drivers will pay for their mileage alongside their existing vehicle excise duty (VED) at rates of 3p a mile for fully electric vehicles and 1.5p a mile for plug-in hybrids.

From 1 April 2026, the threshold for VED expensive car supplement for new EVs will be increased by £10,000 to £50,000.

Planned changes to benefit-in-kind rules for employee car ownership schemes will be deferred until April 2030. For those still in contracts at that time, transitional arrangements will also be introduced to provide additional support.

With retrospective effect from 1 January 2025 until 5 April 2028 a temporary easement will apply to mitigate the increased benefit-in-kind tax liabilities of PHEV company cars due to new emission standards. Transitional arrangements will apply to certain vehicles until 5 April 2031.

High value council tax surcharge

A high value council tax surcharge (HVCTS) will be introduced in England from April 2028 for residential properties worth £2 million or more, based on updated valuations to identify properties above the threshold.

The charge will start at £2,500 a year, rising to £7,500 a year for properties valued above £5 million and it will be levied on property owners rather than occupiers. Local authorities will collect the charge on behalf of central government.

Loan charge review

Individuals affected by the loan charge will have an opportunity to make a new settlement with HMRC following a review of the legislation by the government. The loan charge was introduced to counter widespread disguised remuneration schemes where taxpayers received loans from employers instead of taxable salary. The schemes failed and individuals faced very large tax bills.



Pensions, savings and investments

Individual savings accounts (ISAs)

The annual subscription limits will remain at £20,000 for ISAs, £4,000 for lifetime ISAs and £9,000 for junior ISAs and child trust funds for 2026/27. However, the maximum annual cash ISA subscription will be reduced to £12,000 from 6 April 2027 for those aged under 65.

In early 2026 a consultation will be published on the design of a new, simpler ISA product to support first time buyers. Once this new ISA becomes available, it will replace the lifetime ISA.

Help to Save

The current Help to Save scheme will be made permanent. From 6 April 2028, eligibility will be extended to include all universal credit claimants who receive the child element, the caring element or both.



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Investing in pensions. Remember the annual allowance is £60,000, so you may be able to make larger pension contributions while the salary sacrifice opportunity remains.

Pension salary sacrifice schemes

Employer and employee NICs will be charged on pension contributions above £2,000 a year made via salary sacrifice from 6 April 2029.

State pension and simple assessment

Pensioners whose sole income is the basic or new state pension (without any increments) will not have to pay small amounts of tax through simple assessment from 2027/28 if their state pension exceeds the personal allowance. More detail will be available next year.

UK listing relief

Transfers of a company's securities will be subject to relief from the 0.5% stamp duty reserve tax charge from 27 November 2025 for three years after the point the company lists on a UK regulated market.

Venture capital trusts (VCTs) and enterprise investment schemes (EISs)

VCT income tax relief will decrease to 20% from 2026/27.

The VCT and EIS company investment limit will rise to £10 million and £20 million for knowledge intensive companies (KICs). The lifetime investment limit for the companies themselves will increase to £24 million and £40 million for KICs. The gross assets test will increase from April 2026 to £30 million before share issue and £35 million after.

Capital taxes

Capital gains tax (CGT) annual exempt amount

The CGT annual exempt amount for individuals and personal representatives will remain at £3,000 for 2026/27. The annual exempt amount for most trusts will stay at £1,500 (minimum £300).

CGT rates

The lower main rate of CGT will remain at 18% and the higher main rate will remain at 24% for disposals made in 2026/27.

As previously announced, the rate for business asset disposal relief and investor's relief will increase to 18% from 6 April 2026.

Employee ownership trusts

The CGT relief available on qualifying disposals to employee ownership trusts will be reduced from 100% of the gain to 50% with effect from 26 November 2025.

Inheritance tax (IHT) bands

The IHT nil rate band will remain at £325,000 and the residence nil rate band will stay at £175,000, with its associated taper threshold remaining at £2 million. These levels will be frozen for a further year to the end of 2030/31.



IHT on infected blood compensation payments

Payments made under the Infected Blood Compensation Scheme and Infected Blood Interim Compensation Payment Scheme will be relieved from IHT where the original person eligible for compensation has died before the compensation has been paid.

First living recipients of compensation payments will also have two years in which to gift some or all the compensation payment without an IHT charge.

IHT agricultural and business property reliefs

Any unused £1 million allowance for the 100% rate of agricultural property relief and business property relief will be transferable after death between spouses and civil partners, including where the first death was before 6 April 2026, which echoes the transferability rules for nil rate bands.



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Don't waste your CGT annual allowance The annual exempt amount for personal capital gains is £3,000. The exemption could save you up to £720 in tax.

IHT on unused pension funds and death benefits

Personal representatives will be able to direct pension scheme administrators to withhold 50% of taxable benefits for up to 15 months and pay the IHT due in certain circumstances. Personal representatives will be discharged from a liability for IHT payment on pensions discovered after they have received clearance from HMRC.

IHT charges for excluded property trusts

With retrospective effect from 6 April 2025, there will be a cap of £5 million on relevant property trust charges for pre-30 October 2024 excluded property trusts.

Welfare and labour markets

National living wage (NLW) and national minimum wage (NMW)

Significant increases to the NLW and NMW were announced the day before the Budget on 25 November 2025.

Rate	Age	£ per hour from 1/4/26	Increase over 2025/26
NLW	21 and above	£12.71	4.1%
NMW	18–20	£10.85	8.5%
	16–17	£8.00	6.0%
Apprentice rate	All	£8.00	6.0%

Universal credit (UC) and other benefits

The two-child limit for UC and child tax credit will be removed. The £2,500 surplus earnings threshold will be extended for one year from 6 April 2026.

The standard allowance, the basic amount of UC all eligible households receive, will increase by over 6% in April 2026.

The maximum amount that can be reimbursed for childcare costs for eligible UC claimants will increase by £736.06 for each additional child above the current maximum cap for two children.

Other working age benefits will be uprated in line with the September CPI inflation rate of 3.8% from April 2026.

State pension

The basic and new state pension will be uprated by 4.8%, amounting to up to an additional £575 a year in 2026/27 depending on the pensioner's entitlement. The pension credit standard minimum guarantee will also be uprated by 4.8% from April 2026.

Administration of pension credit and housing benefit will be brought together.



**Tip**

Don't ignore UC. The income ceiling for UC now stretches well beyond £70,000 for some couples. UC – even of just 1p a month – can unlock other benefits so you should check your eligibility.

Youth jobs guarantee scheme

The government will guarantee a six-month paid work placement for every eligible 18-21 year old who has been on UC and looking for work for 18 months. This will cover 100% of employment costs for 25 hours a week at the relevant minimum wage, and additional wraparound support.

Business taxes**Corporation tax rates**

Corporation tax rates remain unchanged at 25% main rate and 19% small profits rate from 1 April 2026.

Capital allowances

The main rate writing down allowance will decrease by four percentage points to 14% from April 2026. However, there will be a new 40% first-year allowance for main rate assets. Cars, second-hand assets and assets for leasing abroad will not qualify. The 100% annual investment allowance will remain.

Tax advantaged investment incentives

The company eligibility limits for the enterprise management incentives scheme (EMI) are being increased from April 2026 to enable companies scaling up, as well as start-ups, to offer tax-advantaged shares. The employee limit will be 500, the gross assets limit will be £120 million. The maximum holding period will be 15 years. The EMI notification requirement will be removed from April 2027.

Companies will be able to update their existing EMI and company share option plan (CSOP) contracts to enable employees to exercise their options at a private intermittent securities and capital exchange system (PISCES) trading event and retain the tax advantages.

Business rates

New permanently lower business rates multipliers for retail, hospitality and leisure (RHL) properties are being set at 5p below their national equivalents. This will make the small business RHL multiplier 38.2p and the standard RHL multiplier 43p. To fund these reductions, the multiplier for properties with rateable values of £500,000 and above will be 2.8p above the national standard multiplier, making it 50.8p in 2026/27.

Where businesses' rates bills increase, there will be a three-year transitional relief scheme for the largest businesses including airports and hospitality, and a supporting small business scheme to help the smallest businesses. The supporting small business scheme will also be expanded to businesses that are losing their RHL relief.

A 1p transitional relief supplement will be introduced for ratepayers who do not receive transitional relief or the supporting small business scheme. This will apply for one year from 1 April 2026.

Landfill tax

From April 2026 the standard rate will be £130.75 a tonne and the lower rate will be £8.65 a tonne. The gap between the two rates of landfill tax will be frozen.



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Don't forget that a new 40% first-year allowance for plant and machinery will be introduced from 1 January 2026.

Gambling duties

Remote gaming duty will increase from 21% to 40% from April 2026. A new remote betting rate at 25% within general betting duty will be introduced from April 2027. Duty on remote horse racing bets will remain at 15%. Bingo duty will be abolished from April 2026.



Carried interest

A revised tax regime for carried interest that sits wholly within the income tax framework, will be introduced from 6 April 2026.

Value added tax (VAT)

VAT registration and deregistration

The VAT registration threshold will remain at £90,000 from 1 April 2026. The deregistration threshold will be £88,000. The rates remain unchanged.

VAT – private hire vehicle operators

Private hire vehicle operators (PHVOs) will be excluded from the tour operators' margin scheme (TOMS) to prevent them from reducing their VAT rate. The change will apply to all PHVOs in London and all PHVOs who operate as 'principal' nationally from 2 January 2026.

VAT – business donations to charity

A relief for business donations of goods to charity for onward distribution or use in the delivery of their services will be introduced from 1 April 2026.

Cross-border VAT grouping

Unconditional whole entity cross-border VAT grouping will be restored from 26 November 2025.

Tax administration

E-invoicing

Businesses will have to issue all their VAT invoices in a specified electronic format from April 2029. The government will work with stakeholders to develop an implementation roadmap to be published at Budget 2026.

Tax penalties and making tax digital (MTD)

The penalty for late submissions of corporation tax returns will be doubled from 1 April 2026.

Penalties for late submissions and late payments under MTD will apply to all income tax self-assessment (ITSA) taxpayers who are not already due to join the new system from 6 April 2027. Penalties for late payment of ITSA and VAT will rise from 1 April 2027.



Think ahead

Making tax digital (MTD) for some sole traders and landlords starts from April

2026. You should check now if – and how – the change will affect you as you could incur penalties for non-compliance.

New powers will be introduced from 1 April 2026 to ensure that MTD and the new penalty reform legislation works as intended.

Incorporation relief

Taxpayers will have to actively claim incorporation relief for transfers of a business to a company from 6 April 2026. The relief will no longer apply automatically.

Cryptoassets

UK reporting cryptoasset service providers will be required to report on their UK tax resident customers under the Cryptoasset Reporting Framework. Information for first reports to HMRC will be collected from 1 January 2026 and reported to HMRC in 2027.

Tax advisers

HMRC will be given enhanced powers and sanctions against tax advisers who facilitate non-compliance from 1 April 2026. HMRC will also work with the sector to raise standards in the tax advice market.

Following consultation the government has decided that tax advisers will not be regulated.

Share exchanges and reorganisations

The capital gains tax anti-avoidance provisions that apply to share for share exchanges and company reorganisations will be changed to make them more effective and they will apply immediately.

Low value imports

Customs duty relief on goods imported into the UK valued at £135 or less will be removed by no later than March 2029.

Construction industry scheme

HMRC will be given stronger powers to tackle fraud in the construction industry scheme (CIS) from April 2026.

Advance corporation tax (ACT)

The shadow ACT rules will be repealed from 1 April 2026. The government will consult on the future of the remaining ACT regime.



Think ahead

Check the dividend total on your tax return. HMRC has been writing to some self-assessment taxpayers asking them to check the dividend totals on their 2023/24 tax return because it has "seen quite a few mistakes in this area". HMRC's interest is likely to be greater for 2024/25 returns (due by 31 January 2026) as that year's dividend allowance is half the 2023/24 level.

Creative industries and research and development expenditure credits

New legislation will set out the corporation tax treatment of intra-group payments made in return for surrendered R&D and the various creative industries tax credits.

VAT and deposit return schemes (DRS)

Administration of the DRS will be simplified by removing the requirement for individual producers to account for VAT on unreturned deposits. This will be done by the Deposit Management Organisation instead.

Consultations

The government is consulting on a number of matters including:

- HMRC powers obliging taxpayers to correct inaccuracies where they are identified.
- Modernising and standardising corporation tax submissions.
- Reporting company payments to participators.
- VAT treatment of land intended for social housing.

National insurance contributions 2026/27

Class 1	Employee – Primary	Employer – Secondary
NICs rate	8%	15%
No NICs for employees generally on the first	£242 pw	£96 pw
No NICs for younger employees/veterans ¹ on the first	£242 pw	£967 pw
NICs rate charged up to	£967 pw	No limit
2% NICs on earnings over	£967 pw	N/A

1. No employer NICs on the first £96/pw for employees generally under 21 years, apprentices under 25 years. No employer NICs on the first £481pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment.

Employment allowance

Per business £10,500

Not available if the sole employee is a director.

Limits and thresholds	Weekly	Monthly	Annual
Lower earnings limit	£129	£559 ²	£6,708
Primary threshold	£242	£1,048	£12,570
Secondary threshold	£96	£416	£5,000
Upper earnings limit (and upper secondary thresholds for younger/veteran employees and apprentices under 25)	£967	£4,189	£50,270

2. To be confirmed by HMRC.

Class 1A Employers

On car and fuel benefits and most other taxable benefits provided to employees and directors 15%

Class 2 Self-employed

Flat rate (voluntary) £3.65 pw £189.80 pa
Small profits threshold £7,105 pa

Class 4 Self-employed

On annual profits of £12,570–£50,270 6%
Over £50,270 2%

Voluntary

Class 3 flat rate £18.40 pw £956.80 pa

Since establishment, Craven Street Wealth has advanced its long-term growth strategy while remaining committed to high-quality, advice-led financial planning.

As part of the Quanta Group, we continue to operate independently while exploring collaboration opportunities with other firms within the group where they add value for clients.

We were pleased to welcome Pharon Independent Financial Advisers into Craven Street Wealth, further strengthening the expertise across our team.

Recognised as Leading Financial Planners

Craven Street Wealth has again been recognised in the Financial Times' FT Adviser Top 100, placing us among the UK's top ten firms for 2025. This reflects the strength of our people, our advice-led approach and the trust our clients place in us.

We look forward to building on this momentum and continuing to support clients in achieving their long-term financial goals.



Contact us:

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0330 320 9280



info@cravenstreetwealth.com

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