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The Autumn Budget 2025

There had been much speculation about this budget. Finally, Chancellor Reeves has delivered her plan for the UK economy on 26 November 2025.

The budget includes tax rises and key commitments on borrowing and spending. So, what are the highlights, and how do they affect you?

The Economy

- Chancellor Reeves acknowledges that the UK faces a fiscal challenge, with a deficit requiring substantial tax rises.
- GDP growth is sluggish, expected to be around 1.5% next year, amid ongoing global economic pressures.
- Lower underlying productivity growth is expected to wipe £16bn off tax receipts by 2030.
- Inflation remains above target, estimated at around 3.1% this year. The government expects CPI inflation to fall by 0.4ppt in 2026.
- Government borrowing is expected to fall. In 2025-26, it stands at 4.5% of GDP, but by 2030-31, it is forecast to fall to 1.9%.
- Public spending will be tightly controlled within the Chancellor's ongoing "fiscal rules", with efficiency savings reinvested in key sectors such as health and defence.
- £120bn of investment spending will be retained for infrastructure (housing, energy, transport, etc.) as spelt out in the Autumn Budget 2024.
- UK debt interest is expected to rise by £14bn per year by 2030.

Taxes

- Dividend tax on the basic and higher rates will rise to 10.75% and 35.75%, respectively.
- Tax on savings interest to rise to 22% (basic rate), 42% (higher rate) and 47% (additional rate) from April 2027. The Chancellor assures that 90% of taxpayers will not pay extra.
- The freeze on personal income tax rates will be extended from April 2028 to 2031 (thresholds will not rise with inflation for a longer period).
- This extension is expected to raise an extra £8.3bn a year and pull 920,000 more people into the 40% higher rate tax band by 2030.
- A new "high value council tax surcharge" will apply to properties valued over £2 million from April 2028. Four new bands will be introduced.
- The lowest of the four bands will levy a £2,500 surcharge, while the highest (applying to properties valued over £5m) will face a £7,500 surcharge.
- Income tax on property income (e.g. Buy to Let) to rise by 2% from April 2027, leading to effective rates of 22%, 42% and 47% on the basic, higher and additional rates, respectively.
- From April 2026, bingo duty will be scrapped, and gaming duty will rise from 21% to 40%. The following year, a 25% rate on remote betting will apply.

Benefits & Personal Finance

- The National Living Wage for the lowest paid will rise to £12.71 from April 2026.
- Luxury vehicles to be removed from the Motability scheme and replaced with cost-effective leasing.
- The £20,000 annual ISA allowance will remain, but from April 2027, only £12,000 will be allowed for Cash ISA contributions (over-65s will be exempt from this rule).
- Drivers to be taxed based on how much they drive. From April 2028, excise duty will be payable each year at 3p per mile for EV drivers and 1.5p per mile for hybrid drivers.
- The two-child benefit limit (introduced in April 2017) will be removed in full, aiming to lift 450,000 children out of poverty.
- £150 to be taken off energy bills from next year by ending the Energy Company Obligation and by the UK government funding 75% of the domestic cost of the legacy Renewables Obligation.
- All regulated rail fares in England will be frozen from March 2026.
- Prescription costs to be frozen for one year from April 2026.
- The 5p fuel duty cut will be extended until the end of August 2026.

Pensions

- No changes to the tax-free lump sum, the annual allowance or lifetime allowance.
- An annual £2,000 “cap” will be introduced to pension salary sacrifice from April 2029. Above that threshold, NI will apply.
- Ordinary employer pension contributions will remain exempt from NICs.
- The basic and new State Pension will rise by 4.8% in 2026-27 (£570 more for the latter).
- Voluntary Class 2 National Insurance Contributions (NICs) to be abolished for those living abroad.
- The Chancellor suggested that those who mainly/only receive the State Pension as an income source would have it exempt from income tax via a “simple assessment”.

Business

- No further rise to the rate of Employers’ National Insurance (NI); it will remain at 15%.
- From April 2026, writing down allowances (WDAs) will be cut from 18% to 14%. However, a first-year allowance of 40% will apply from January 2026 to new companies.
- From today, company directors who sell their shares to employee-owned trusts will only receive 50% capital gains tax (CGT) relief - not 100%.
- Business rates to be lowered for 750,000 firms in the retail, leisure and hospitality sectors. This will be funded through “Higher rates on properties with rateable values (RVs) above £500,000, such as warehouses used by online retail giants”.

How Will You Be Affected?

The Autumn Budget 2025 will have varied impacts depending on your income, employment status and wealth. For many workers, particularly those on the National Living Wage, wage increases to £12.71 an hour from April 2026 provide a meaningful boost to household incomes, helping with cost-of-living pressures.

However, for many taxpayers, the freeze on income tax thresholds until 2031 means more people will be pulled into higher tax brackets, raising the overall tax burden despite no headline tax rate increases.

Property owners, especially those with high-value homes, face new council tax surcharges for properties valued above £2 million, with surcharges rising up to £7,500 annually for homes over £5 million. Buy-to-let landlords will see their tax rates on rental income increase by 2%, adding to financial pressures already felt from other changes in the housing market.

The taxation of investment income will rise, with dividend tax and savings interest tax rates increasing by 2027, impacting investors. Meanwhile, new road tax charges for electric and hybrid vehicles based on mileage could affect drivers.

Overall, the Budget aims to balance supporting public services and investment while increasing tax revenues through subtle but wide-ranging tax changes affecting earnings, investments, and property.

Conclusion

The Chancellor is following a fiscal strategy focused on stabilising public finances amid economic uncertainty without resorting to headline personal income tax rate hikes. This is achieved through extended freezes on tax thresholds, targeted new taxes and increased duties, which contribute to a greater overall tax burden.

Investment in key public services and infrastructure remains a government priority, although with careful efficiency measures to control spending growth. While wage increases for the lowest-paid offer some relief, the broader population faces complex tax changes impacting income, property, savings and consumption.

The phased introduction of multiple new surcharges and tax adjustments reflects the government's intent to broaden the tax base and ensure that wealthier individuals contribute more. However, this creates challenges for households, investors and businesses as they adjust to higher effective tax rates and new compliance requirements.

In this context, it is vital to consult professional financial advice to navigate the evolving tax landscape and understand how the Autumn Budget 2025 affects personal financial planning and long-term goals.

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