

Autumn Budget Summary 2025

On 26 November, the Chancellor of the Exchequer, Rachel Reeves, delivered the 2025 Budget Statement in the House of Commons, announcing a raft of changes to income and property taxes, dividend income, cash ISAs, benefits, transport and more.

Key Takeaways of Autumn Budget 2025

The budget's principal takeaways are as follows:

Executive / Economic Context

The government frames the Budget as “doubling down” on growth, reducing borrowing and protecting public services; growth upgraded (2025 to 1.5%) and real wages improving, but OBR has downgraded productivity prospects, which reduces future receipts.

Increased Tax on Property Income

Rental and other property income is now taxed at a distinct “property income” rate: basic 22%, higher 42%, additional 47% — increasing the tax burden on landlords and property investors.

Higher Dividend Income Tax Rates

Dividend income will be taxed at +2 percentage points for the ordinary and upper rates — raising the cost of drawing company profits as dividends for business owners / shareholders.

Higher Tax On Savings Income (Interest, Investment Income)

Tax on savings income increased by 2 percentage points across bands. It reduces net returns for savers and investors.

Change In Ordering Of Reliefs/Allowances Applied To Income

Reliefs & allowances (personal allowance, deductions) will be applied against other income first; property, savings and dividend income benefit only after. It may increase overall tax on passive income sources.

Cap on Salary-sacrifice Pension NIC Reliefs

Only the first £2,000 of pension contributions made via salary-sacrifice will receive NIC relief; amounts above £2,000 will be subject to NICs, raising the cost of large pension contributions for higher-paid employees. The cap shields 74% of basic rate taxpayers using salary sacrifice, and the government continues to support pension saving through auto-enrolment and tax relief, worth over £70 billion per year.

Reduction of CGT relief for disposals to Employee Ownership Trusts (EOTs)

Relief on qualifying disposals to EOTs reduced from 100% to 50% — making EOTs a less attractive exit route and materially changing post-sale proceeds for business owners.

Freeze On Income Tax Thresholds (Personal Allowance, Higher-Rate Thresholds)

Thresholds frozen until 2031; as incomes rise with inflation, more taxpayers will be pushed into higher tax bands over time, increasing liabilities even without nominal rate changes.

Tax Fairness / Wealth Measures

Reforms to ensure “assets contribute fairly”: Changes raising revenue from property, dividend and savings income; introduction of a High-Value Council Tax Surcharge on homes £2m; continuing previous measures (CGT, non-dom, IHT reforms) as part of broader fairness agenda.

Public & Capital Investment

Protects increased public investment over the Parliament: further capital for infrastructure, NHS (additional funding), local growth (Leeds City Fund, Northern Growth Corridor), and nearly £900m for Lower Thames Crossing; maintains the highest sustained public investment in decades.

Business & Growth Measures

Measures to back business and innovation: Tax changes to incentivise scaling companies; new UK Listing Relief from Stamp Duty Reserve Tax; R&D reforms; planning reforms to accelerate housing & infrastructure delivery; permanent lower business rates for retail/hospitality/leisure funded by higher rates for expensive properties.

Public Service Efficiency & Savings

New departmental efficiency/savings targets (additional £2.9bn in 2028-29 rising to £4.9bn by 2030-31); measures include abolishing Police and Crime Commissioners, reducing councillor numbers, and reclaiming misspent public funds.

Labour / Skills / Talent

Investment in skills and youth (Youth Guarantee, Growth & Skills Levy ~£1.5bn over SR period); visa reforms to attract talent; supply-side reforms aimed at raising productivity.

OBR / Fiscal Forecasts

OBR Scoring: Government meets stability and investment rules with buffers; policy lifts/reductions in borrowing; OBR warns that a productivity downgrade would reduce receipts by ~£16bn in 2029-30, underpinning the need for reforms.

Budget Implications for employers, employees, and business owners

- Landlords and property investors will need updated cash-flow and tax-liability projections under the new property income rates.
- Owner-directors and small-business shareholders relying on dividends should revisit their remuneration strategy (salary vs dividends), as increased dividend taxes may reduce net take-home income.
- Savers and investors will feel the pinch on interest and passive income — advising ISAs, timing of withdrawals, or tax-efficient investment strategies becomes more important.
- The new ordering of reliefs reduces the tax efficiency of passive income streams — comprehensive tax-planning (especially for clients with mixed income sources) becomes more complex and vital.
- Pension planning and salary-sacrifice schemes will need review for higher-earnings clients, as benefiting from NIC relief will be limited — payroll and benefits packages may need redesign.
- Business owners considering an EOT sale need to re-examine exit strategies; reduced CGT relief significantly changes after-tax returns.
- Over time, the threshold freeze will lead to implicit tax increases — proactive client communication and long-term tax-efficiency planning are key.