

26 November 2025

UK | Autumn Budget 2025

Impact: Medium



Budget 2025

Key tax announcements

Summary

The Chancellor of the Exchequer delivered her Autumn Budget on **26 November 2025**, setting out the UK Government's tax and spending plans. Our Autumn Budget summary for UK employers, employees, and other individuals, including global mobility considerations, is outlined below and includes:

Key announcements

Other announcements

What we did not see

Key announcements


This Budget introduces a range of tax measures aimed at boosting revenue and widening the tax base. In the weeks leading up to the announcement, there were strong signals that the Government might break from its manifesto pledge not to increase national insurance contributions (NIC), income tax rates, or VAT for working people. The changes were less dramatic than feared, but several measures will require careful review by employers and individuals:

- Personal tax thresholds, including income tax bands and NIC limits, will remain frozen for an additional three years, exacerbating the impact of fiscal drag.
- Tax rates on dividends, property income, and savings income will rise by 2%, increasing the overall burden on investment income.
- Salary-sacrificed pension contributions in excess of £2,000 will be subject to NIC from 2029, aligning them with standard employee contributions.
- Class 2 (voluntary) NIC for individuals living abroad will be abolished.
- A new high-value property surcharge, sometimes referred to as a "mansion tax", will apply to homes valued above £2 million, adding an extra layer of taxation on valuable properties. This will be charged on the owner of the property rather than the occupier.

Please see below for more information on these announcements.

Freeze in income tax thresholds for another three years from 2028-29 to 2030-31

This Budget extends the freeze on personal tax thresholds for an additional three years. Income tax bands and the NIC secondary threshold will remain unchanged until the end of the current decade.



These measures build on previous freezes introduced earlier in the 2020s, continuing the policy of holding thresholds steady rather than uprating them in line with inflation.

Vialto view

The current rate bands and allowances have been frozen since April 2021, and the threshold for the additional rate has been reduced during this period, further increasing the overall tax burden on taxpayers.

This freezing of allowances pushes more employees into the higher rates of taxation each year as salaries usually increase in line with inflation (7.9% of workers paid the higher rate of tax in 2019-20 compared to 11.8% in 2022-23).

This will mean that by the time we get to 2031 the thresholds will have been frozen for a decade and millions of individuals will be subject to a significantly higher amount of tax when adjusted for inflation.

Increased income tax rates on dividend, property, and savings income

The Chancellor announced tax rises on key components of investment income.

The rate of income tax on dividends will rise by 2% from 6 April 2026, and the rate of income tax on property and savings income will increase by 2% from 6 April 2027.

This means that from 6 April 2026, dividend income will be taxed at 10.75% for basic rate and 35.75% for higher rate taxpayers (with the additional rate remaining at 39.35%), and from 6 April 2027, savings and property income will be taxed at 22%, 42%, and 47% for basic, higher, and additional rate taxpayers respectively.

This is a new direction for the taxation of investment income, creating separate rates for property and savings income. Individuals with a diverse portfolio may find they are taxed at non-savings, savings, property, and dividend tax rates.

The legislation regarding the ordering of reliefs (such as personal allowances and trading loss relief) will be changed to ensure reliefs are offset against non-savings income first, and then the investment income rates.

The allowances will remain in place for both savings and dividend income, with no increase, in line with the freeze to the non-savings rate thresholds and there is no mention of a similar allowance for property income.



Vialto view

The Government's view on the rental market is clear: the Chancellor expressing her distaste that private renters who earn the same as their landlords currently pay more in tax and NIC. This move looks to address the perceived imbalance.

This is of direct consequence to assignees, and possibly their employers, where individuals on assignment to or from the UK have rented out their homes. Employers should consider whether this will impact their tax equalisation or assignment policies.

These changes may also further reduce the benefits of operating as a personal service company compared to a self-employed model.

National insurance on salary-sacrificed pension contributions

Salary-sacrificed pension contributions above a set threshold of £2,000 per annum will be subject to NIC from April 2029.

Such pension contributions will be treated like standard employee pension contributions and subject to both employer and employee NIC. Based on current rates, this would mean employees will incur NIC at rates of 8% and 2%, while employers will be responsible for NIC at 15% on any salary-sacrificed pension contributions exceeding this threshold.

Ordinary employer pension contributions appear to be unaffected. If that's the case, this change may alter behaviour, with some employees moving to alternative pension arrangements and employers adjusting remuneration structures. We await detail regarding how the changes will be implemented, however expect that a regime similar to the optional remuneration arrangements rules will apply.

Vialto view

The headline news is that these changes are not set to take effect until April 2029, giving employers significant time to adjust to the proposals. Given the high level of political volatility it is quite possible that amendments to the proposal will be introduced, meaning it is important that affected employers stay abreast of the latest developments.

One of the greatest challenges will be in cases where employers have historically agreed to share employer's NIC savings with pension scheme participants through additional contributions. Communication with employees will be essential to explain why contributions have been significantly reduced given the employer's NIC saving will be capped at £300.



No Class 2 NIC for people living abroad

The Government has announced it will abolish Class 2 voluntary NIC for individuals living outside of the UK, effective April 2026.

To date, individuals living outside of the UK have been able to maintain their entitlement to UK state pension, and selected other benefits, obtaining qualifying years with Class 2 NIC, for as little as £3.50 per week. The new measures will remove the ability for individuals not based in the UK to capitalise on this low cost method of maintaining UK state pension.

In addition to this, the new measures will also look to alter the eligibility criteria for individuals being able to contribute voluntarily via Class 3 NIC (a more expensive route that offers less coverage than Class 2 NIC). Current eligibility rules require an individual to have lived in the UK, and paid NIC, for a period of at least 3 years. Whilst these rules will not change for voluntary contributions whilst in the UK, the proposed changes will increase this minimum period from 3 years to at least 10 years for those living abroad.

Vialto view

Many individuals living outside of the UK (permanently or temporarily whilst on international assignment), are currently able to protect their state pension entitlement under Class 2 voluntary NIC (£3.50 per week). The new measures will potentially mean that many of these individuals will cease being able to contribute under Class 2. Combined with the change in eligibility criteria from 3 years to 10 years, this also limits the ability to switch to the more expensive Class 3 contribution rate, leaving certain individuals unable to contribute at all. This would result in 'gaps' in an individual's contribution history and directly impact their UK State Pension output at retirement.

What is not clear at this stage, is what 'living outside the UK' constitutes. Is this limited to individuals permanently residing outside of the UK (with potentially no intention to ever return); or will it extend to individuals living abroad on a temporary basis (for example, on a 3 year international assignment) who expect to return? Separately, there are no details available at this time with regard to the impact faced by those already abroad and paying voluntary contributions, especially if they do not meet the new eligibility criteria.

A lot of questions remain unanswered and the specific details on the changes are yet to be announced. We know the changes will be made via secondary legislation to be presented ahead of April 2026. The Government will also launch a wider review of the voluntary NIC system in the new year.

Where an individual may currently be eligible for Class 2 NIC, but is not yet contributing, they may wish to make the application sooner rather than later, so they have at least applied for the scheme ahead of April 2026, in order to potentially benefit from any grandfathering or transitional provisions. HMRC processing timelines for applications are currently around one year.

Council tax surcharge on properties valued over £2 million

From April 2028, the Government will introduce a new annual high-value council tax surcharge ("HVCTS") for owners of residential property in England worth £2 million or more in 2026, taking effect in April 2028 - the so-called 'mansion tax'. Properties in Scotland, Wales and Northern Ireland are unaffected.

This charge will apply to homes valued at more than £2 million. Homeowners of properties identified as being valued at over £2 million by the Valuation Office (in 2026 prices) will be liable for a recurring annual charge which will be in addition to existing council tax liabilities. Note that the responsibility for paying this surcharge sits with the homeowner whereas the responsibility for the existing council tax sits with the occupant of the property (i.e. the renter).

There will be four price bands with the surcharge rising from £2,500 for a property valued in the lowest £2 million to £2.5 million band, to £7,500 for a property valued in the highest band of £5 million or more, all uprated by CPI inflation each year:

The HVCTS will be administered alongside existing council tax by local authorities, who will collect it on behalf of the Government.

Vialto view

The Government's introduction of a high-value property surcharge reflects a long-signaled policy direction, albeit in a more modest and manageable form than some earlier proposals.

Overall, the announcement aligns with the Government's ambition to increase contributions from the wealthiest homeowners. Owners of high-value properties may consider restructuring their holdings or challenging valuations, and there is potential for price clustering just below the threshold.

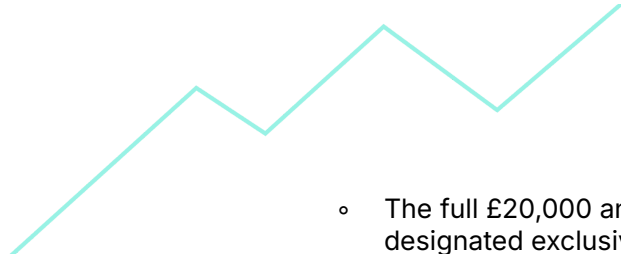

In addition, affected owners will face the administrative burden of an additional tax.

It remains to be seen whether a full reform of the council tax system will follow - a system long criticised as outdated.

Other announcements

- **Individual Savings Accounts (ISAs):**
 - The Chancellor also announced reforms to the ISA system, which will restrict how the annual allowance can be used from April 2027.



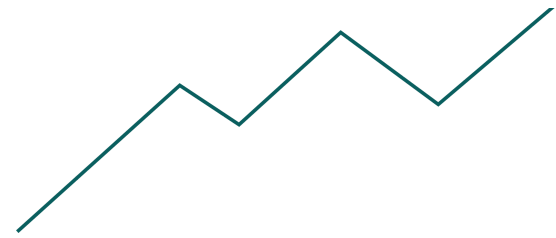
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- The full £20,000 annual allowance will remain, but £8,000 of this will now be designated exclusively for investment purposes, rather than for cash ISAs. Over 65s, though, will retain the full annual cash allowance of £20,000.
 - **Corporation tax:**
 - Main writing down allowance cut from 18% to 14% (April 2026). New 40% first-year allowance (Jan 2026).
 - Corporation tax penalties: The Government will double the penalty for taxpayers submitting a corporation tax return late from 1 April 2026.
 - **Capital gains tax relief on employee ownership trusts (EOTs):**
 - Effective 26 November 2025, the introduction of a restriction of CGT relief on qualifying disposals of shares made to the trustees of an EOT.
 - 50% of the gain on disposal to the trustees of an EOT will be treated as the disposer's chargeable gain for CGT purposes. The remaining 50% of the gain will not be chargeable at the time of disposal but will continue to be held over to come into charge on any future disposal of the shares by the trustees.
 - **IHT: agricultural property relief (APR) and business property relief (BPR)**
 - Any unused portion of the £1 million allowance for the 100% rate of APR and BPR will be transferable between spouses and civil partners (similar to existing rules for the nil-rate band and residence nil-rate band), potentially allowing a combined value of £2 million to qualify for 100% relief on second death—effective from 6 April 2026.
 - **IHT: infected blood compensation scheme**
 - Exemption from inheritance tax relating to compensation payments under the infected blood compensation scheme.
 - **Aligning PAYE with the overseas workday relief 30% limit:**
 - The Government will cap the portion of earnings excluded from PAYE under overseas workday relief at 30% for qualifying new residents from April 2026—bringing this in line with the income tax treatment.
 - **Non-reimbursed employment expenses for homeworking:**
 - From April 2026, the income tax deduction for non-reimbursed homeworking expenses will be removed. Employers can still reimburse eligible costs with deductions for income tax and NIC.
 - **Mileage-based charge on electric and plug-in hybrid cars:**
 - A mileage-based charge on electric and plug-in hybrid cars will be introduced from April 2028. Drivers of EV cars will pay 3p per-mile and drivers of plug-in hybrids will pay 1.5p per-mile alongside their existing vehicle excise duty.
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- **Loan charge:**
 - The Government will legislate to implement its response to the independent review of the loan charge, published alongside the Budget. This includes a new settlement opportunity to help affected taxpayers resolve their affairs with HMRC. Legislation will be introduced in Finance Bill 2025/26.
- **Defined benefit pension scheme payments:**
 - From April 2027, the Government will allow well-funded DB pension schemes to make direct surplus payments to members who are above the normal minimum pension age, provided the scheme rules and trustees permit it.
- **National insurance contributions re-rating:**
 - From April 2026, the lower earnings limit and small profits threshold will increase in line with CPI.
 - Voluntary Class 2 and Class 3 NIC rates will also increase accordingly. These changes will be legislated in early 2026 as part of the annual update to NIC limits and thresholds.
- **Image rights payments:**
 - From April 2027, all image rights payments linked to employment will be treated as employment income and subject to income tax and employer and employee NICs.
- **More timely payment for self-assessment:**
 - From April 2029, employees will be required to pay more of their self-assessment liability via PAYE. A consultation on this, and also on more timely payments for those with only self-assessment income will be published in early 2026.
- **High value talent incentives:**
 - The Government plans to enhance its tax incentives for high-value talent arrivals, with a view to making the UK more competitive for global talent, and helping internationally mobile individuals to establish themselves and their businesses in the UK. The Government will seek views in due course to inform the design and scope of any potential enhanced offer.

What we did not see

Certain speculated changes were notable by their absence, including:

- **Tax rises on income generally:** Despite speculation, no changes were announced to the general rates of income tax (as opposed to targeted changes for savings, dividend and property income).
- **Stamp duty land tax reform:** Expected reforms to SDLT thresholds and structure did not materialise in this Budget.



- **Restrictions on CGT primary residence relief:** Proposals to limit the exemption for gains from a main home were absent from the announcements.
- **Restricting tax relief on pension contributions:** Consideration was reportedly given to capping tax relief at a fixed percentage, such as 30%, to limit benefits for higher earners. Commentators noted this could be complex to implement, particularly for public sector defined benefit schemes.
- **Reduction in the pension tax-free cash sum:** The recurring rumours of a cut to the tax-free lump sum available at retirement did not come to fruition; current rules remain unchanged.

Contact us

For a deeper discussion on the above, please reach out to your Vialto Partners' point of contact, or alternatively one of our technical experts:

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