



# Budget 2025

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## Executive Summary

- ▶ This budget increases the tax burden to an all-time high of 38% of GDP by the end of this parliament
- ▶ Measures announced will lead to an extra £26 billion in tax revenues
- ▶ Increased spending to ease cost of living burdens on rail fares, energy bills and of course the abolition of the 2 child benefit cap.
- ▶ Manifesto commitments not broken - who is a working person?

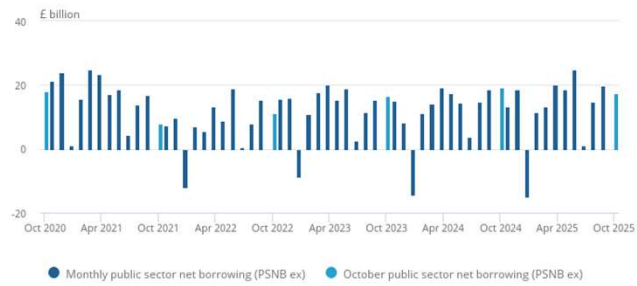


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## UK Economy - Public Sector Borrowing

Figure 1: Borrowing this month was the second-highest in any October since 2020 and the third-highest October since monthly records began

Public sector net borrowing excluding public sector banks, £ billion, UK, October 2021 to October 2025



Source: Public sector finances from the Office for National Statistics

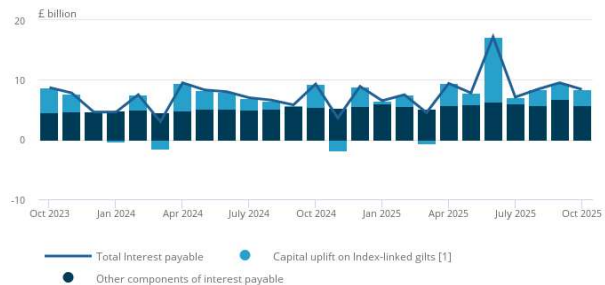


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## UK Economy - Debt Interest Payable

Figure 2: Recent movements in the Retail Prices Index added £2.6 billion to central government debt interest payable in October 2025

Central government debt interest payable, £ billion, UK, October 2023 to October 2025

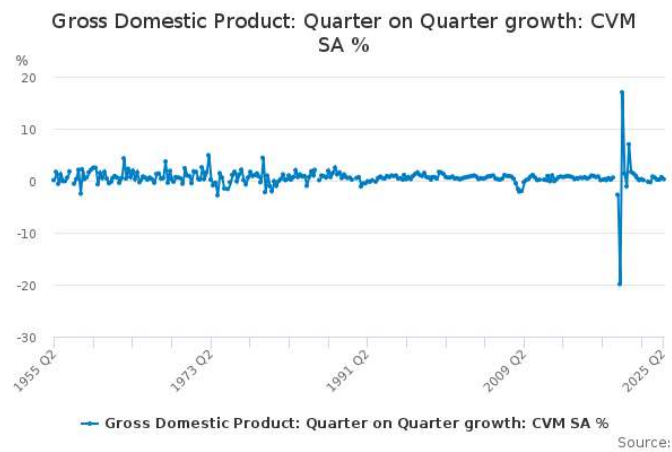


Source: Public sector finances from the Office for National Statistics



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## UK Economy - Growth



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## UK Economy - Bond Yields



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## Income tax rates

Band	2025/26	2026/27
£0-12,570	0%	0%
£12,571-50,270	20%	20%
£50,271-125,140	40%	40%
£125,141+	45%	45%

Between £100,000 to 125,140 Personal allowance is clawed back  
By £1 for every £2 of income



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## National Insurance rates

Class 1 employee	2025/26	2026/27
£0-12,570	0%	0%
£12,571-50,270	8%	8%
£50,271+	2%	2%

Class 1 Employer	2025/26	2026/27
£0-5,000	0%	0%
£5,001	15%	15%

Class 4 NI	2025/26	2026/27
£0-12,570	0%	0%
£12,571 -50,270	6%	6%
+£50,271	2%	2%



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## Fiscal drag - extension of allowance freeze

- ▶ Personal allowances were already frozen until 2027/28
- ▶ No Increase to allowances since 2021
- ▶ Further freeze until 2029/30
- ▶ For example someone earning £99,000 in the current year will pay approximately £31,000 in tax and NI (31.3%). On an anticipated salary of £107,000 by 2029-30 that would be £35,800 (33.5%)



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## Corporation Tax rates

Profits	2025/26	2026/27
£0-50,000	19%	19%
£50,001-250,000	26.5%	26.5%
£250,000+	25%	25%

The above rates show the marginal rate of corporation tax on every additional pound of profit in each band



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## Capital Allowances

Full expensing maintained

New 40% First year Allowance on most main rate assets (also available to non-corporate businesses)

Main rate Writing Down allowance reduced to 14% from 18%



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## Capital Gains Tax rates

	2025/26	2026/27
BADR	14%	18%
Lower rate	18%	18%
Higher rate	24%	24%

Gains are charged at the lower rate where the taxpayer's taxable income does not use up the income tax basic rate band

Relief on gains for disposals to EOTs restricted to 50%



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## Dividend Tax rates

	2025/26	2026/27
£0-500	0%	0%
Basic rate	8.75%	10.75%
Lower rate	33.75%	35.75%
Higher rate	39.35%	39.35%



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## Property and Investment Tax rates

	2025/26	2026/27
Basic rate	20%	22%
Higher rate	40%	42%
Additional rate	45%	47%

This is accompanied by measures to ensure that allowances are Deducted from salaries, self employment and pensions first



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## Individual Savings Accounts

	2026/27	2027/28
Cash ISA	£20,000	£12,000
Stocks and shares	£20,000	£20,000
LISA	£4,000	N/A

The ISA limit will remain at £20,000 but only £12,000 of that can go into a Cash ISA (except for over 65s where £20 k allowance still available)

A LISA is for aged 18-39. There is a government bonus added of £1 for every £4 invested. The Chancellor announced a consultation on scrapping the product and replacing with a targeted first-time buyer product



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## Pensions

- ▶ Annual investment Allowance remains at £60,000 per annum
- ▶ Tax free cash limit remains at £268,275
- ▶ Salary sacrifice relief removed for pension contributions in excess of £2,000 per annum - this will mean that the individual and the employer will pay National insurance on contributions
- ▶ Salary sacrifice measures will be delayed until 2029



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## Enterprise Investment Scheme and Venture Capital Trusts

- Limits relating to the EMI scheme will be increased

	2025/26	2026/27
Annual company Investment (Knowledge Intensive)	£5m (£10m)	£10m (£20m)
Lifetime company limit (Knowledge Intensive)	£12m (£20m)	£24m (£40m)
Gross assets (before share issue)	£15m	£30m
Gross assets (after share issue)	£16m	£35m

The rate of relief for VCTs will reduce to 20%



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## Enterprise Management Incentive

- Limits relating to the EMI scheme will be increased

	2025/26	2026/27
Maximum employees	250	500
Share option limit	£3m	£6m
Gross assets	£30m	£120m
Maximum holding period	10 years	15 years



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## Inheritance Tax

- ▶ Restrictions on Business property relief and Agricultural property relief announced in last year's budget will come into force on 6<sup>th</sup> April 2026
- ▶ The only concession is that the £1m allowance will be transferable between spouses
- ▶ Bringing pension pots within the IHT net comes into force with effect from 6<sup>th</sup> April 2027



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## Duties

- ▶ Charge for electric motoring on a per mile basis from 2028 at 3p per mile (half rate for plug in hybrids)
- ▶ Fuel duty freeze extended to September 2026 and will then rise in line with CPI
- ▶ Sugar Taxes extended to milk based drinks and lattes
- ▶ Online gaming duty increase from 21% to 40%
- ▶ Online sports betting to increase from 15% to 25%
- ▶ No increases for in-person rates
- ▶ Bingo duty repealed
- ▶ Customs duty on all small packages
- ▶ Tobacco, vaping and alcohol rise in line with inflation



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## The “Mansion” Tax

- A new flat rate Council Tax charge for homes worth more than £2 million in 2026. The charge will take effect from 2028

Property value	Charge per annum
£2m -2.5m	£2,500
£2.5m-3.5m	£3,500
£3.5m -5m	£5,000
£5m+	£7,500

