November 2025

KEY INSIGHTS FROM THE AUTUMN BUDGET 2025

The ever-dynamic UK tax system continues to develop because of responses from the government on effects from economic forces and demands from taxpayers. The Autumn Budget 2025 constitutes among the most remarkable changes within recent times, as it brings forth various issues that will be pivotal within the planning and organization of financial matters among individuals, landlords, and different business establishments. Through our specialty as a tax and legal consulting firm, below constitute various highlights toward an easy understanding and implementation.

1. Personal Income Tax

It was also made known that from April 2026, the basic and higher rates of income tax on dividend income will increase by 2%, with no change to the additional rate, and from April 2027, all rates for savings and property income will also be incremented by 2%.

The income tax thresholds will remain frozen until 2031, previously set to be so until 2028. It has been confirmed that the Personal Allowance at £12,570 and Higher Rate Threshold at £50,270 will also remain frozen at least up to 2030. It would normally increase with inflation. But as it is frozen, fiscal drag occurs. It refers to people being caught within higher rates due to a marginal income increase without a commensurate raise.

Example :

In 2024, Sarah earns £49,000. She is below the higher-rate threshold, so she pays only basic-rate income tax.
By 2027, Sarah's employer increases her salary to £51,000. This is a modest pay rise intended simply to help cover rising living costs. But because the higher-rate threshold is still frozen at £50,270, Sarah now earns £730 above the limit. As a result, she must pay higher-rate tax (40%) on just that portion of her income, even though her real spending power hasn't increased much.
Freezing tax thresholds creates a slow but steady increase in the amount of tax people pay. Over time, more individuals especially those receiving routine cost-of-living pay rises — will move into higher tax brackets without being significantly better off financially.

2. Individual Savings Account (ISA) Reform

Starting from April 2027, the government is going to restrict Cash ISAs depending on people's ages. This marks a big change from the present, which provides everyone with an equal allowance for ISAs per year.

- Under 65s: Cash ISA savings limit will be £12,000
- Age 65 and over:

The full £20,000 annual ISA allowance will remain accessible
This plan is intended to encourage young and working-aged contributors to diversify beyond conventional savings, encouraging them instead to make more long-term investment decisions. However, individuals who save primarily in cash and are below 65 years old might be liable for higher rates of taxation on the savings income they receive.

Example
If a person under 65 typically places £20,000 per year into a Cash ISA, they will now only be able to shelter £12,000. The remaining £8,000 placed in a standard savings account may generate interest that is taxable, depending on their Personal Savings Allowance.

3. Restriction on Overseas Voluntary National Insurance Contributions (NICs)

This applies to UK expatriates and internationally mobile citizens who rely on voluntary contributions for their UK State Pension. Starting April 6, 2026, the government plans to "plug a loophole" that has enabled individuals with limited UK ties to accrue pension entitlement at low cost.

Reforms relating to cheaper Class 2 NICs: Persons abroad can no longer pay the lower-cost Class 2 contributions and will generally need to pay the more expensive Class 3 NICs (around five times the cost).

Higher contributions qualifying requirement: New contributors must have at least 10 years of UK residency or contributions before moving abroad to pay voluntary NICs.
For global citizens, this significantly raises the cost of maintaining a UK State Pension and limits eligibility for those with shorter UK working periods. Anyone living abroad should review their National Insurance record and consider making voluntary contributions before April 2026.

4. Higher Tax Rates on Rental Income

From April 2027, property income will be taxed separately from employment income at higher rates: 22% for basic-rate, 42% for higher-rate, and 47% for additional-rate taxpayers (up from 20%, 40%, and 45%).

Presently, rental income is taxed similarly to other income, However, the effect of the new system aims to increase the overall tax contribution from landlords. Even basic-rate taxpayers will see their rental income taxed more heavily, reducing net profits. This puts extra pressure on cash flow, especially for landlords facing rising mortgage or maintenance costs.

Therefore, landlords may have to reassess and evaluate the viability and act on new tax planning opportunities based on the new rate. Notably, this marks a considerable change regarding taxation on rental income, implying tougher regulations for landlords and an inflow of revenue for the taxation sector. To be on the safer side, landlords should prepare and review their accounts in advance and evaluate its implications for 2027 and beyond.

5. High-Value Council Tax Surcharge

The government has plans to introduce a High-Value Council Tax Surcharge from April 2028, an annual levy on UK residential properties which will be a fixed annual amount ranging from £2,500 to £7,500. It is expected to apply to residential properties valued at £2 million and above. The levy is anticipated to begin applying from April 2028.

This is set to increase the cost of holding high-value residential property, directly impacting UK residents and adding an extra annual burden for non-domiciled or international investors alongside existing ATED and Inheritance Tax liabilities. It is advised that persons with high-value properties exercise foresight and assess property values and ownership structures to ensure they remain financially advantageous.

6. Inheritance Tax

The standard inheritance tax (IHT) allowance (£325,000) and the residence nil-rate band (£175,000) will remain frozen until 2031. As property values and inflation rise, more estates, especially those including homes, will exceed these thresholds, leading to higher IHT bills. Careful estate planning, including reviewing wills, gifting, and using allowances, will become increasingly important.

7. Business Tax and Growth Measures

The standard Corporation Tax rate remains 25%, with the small profits rate at 19%. Additionally, from 1 January 2026, a new 40% first-year tax allowance will let businesses immediately deduct 40% of the cost of qualifying equipment, machinery, and other capital assets from taxable profits. Meanwhile, the existing writing-down allowance will drop to 14%, making the upfront deduction more valuable with effect from 1 April 2026 for Corporation Tax and 6 April 2026 for Income Tax.

- Speeding up tax relief: Claim a higher deduction in the initial year rather than spreading it over several years.
- Better cash flow: Lower immediate tax bills free up funds for reinvestment.
- Encourages growth: Incentivises upgrading equipment, adopting technology, or expanding capacity.
- Strategic timing: Businesses can plan purchases to maximise early deductions.

Example:
A £100,000 machine allows a £40,000 immediate deduction, with the remaining £60,000 written down at 14% annually, giving a significant early tax saving.

This approach allows the business to benefit from a large, early tax saving, which can be particularly helpful for companies managing growth, upgrades, or large one-off investments.

8. Investment Schemes (EIS & VCT)

The government is making changes to fundamental investment schemes, the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs)to attract more private capital into growing UK companies.

Higher investment limits: Both EIS and VCT investment schemes will allow investment into larger companies by increasing eligibility thresholds, such as employee numbers and asset limits.

Reduced VCT income tax relief: The initial income-tax relief for VCT investors will be reduced from 30% to 20%. While VCTs will still offer tax-free dividends and tax-free gains, the reduction means investors receive a smaller initial tax benefit when they invest.

With reduced upfront relief, VCTs may be less attractive for investors seeking immediate tax benefits, shifting the focus toward long-term performance and dividends, while the expanded eligibility creates more opportunities to invest in established growth businesses with different risk-return profiles

9. Workplace Benefits

Starting from April 2026, the government will introduce several common workplace expense repayments that are now tax-free for employees. This means that when an employer pays back the cost of certain work-related items, employees will no longer be taxed on those reimbursements.

The new tax-free items include:

- Reimbursement for working-from-home equipment (e.g., monitors, keyboards, chairs)
- Eye tests required for work
- Flu vaccinations arranged or reimbursed by the employer
- ·A range of minor work-related expenses that employees currently pay tax on

This change eases the financial burden on employees who previously paid out of pocket, encourages healthier and more productive working environments—particularly for remote and hybrid workers—and gives employers a clearer framework to reimburse staff without triggering additional tax.

11. Late corporate filings

The UK Budget has increased the automatic penalties for late Corporation Tax returns, which indicates that the regime is going to be tough on compliance. The basic penalty rises from £100 to £200, and for returns over three months late, from £200 to £400. Businesses with repeated late filings face higher penalties of £500 and £1,000 for three successive failures.

12. Stamp Duty Reserve Tax (SDRT) Relief

The government is introducing a three-year exemption from the 0.5% Stamp Duty Reserve Tax (SDRT) for agreements transferring securities of companies newly listed on a UK regulated market, including all shares and depositary interests. The measure applies to transfers made on or after 27 November 2025.

The exemption will help improve London's capital markets by promoting secondary market business, enhancing liquidity, and helping improve price discovery and potentially encouraging higher equity values. It will definitely make London an attractive listing option for UK and foreign businesses seeking an IPO or dual listing, and it will be beneficial for investors as they will get relief on a 0.5% transaction cost charge.

13. Customs Duties

The government is abolishing the Low Value Imports (LVI) relief that currently allows individual consignments with a value of £135 or less, sent by a business from outside the UK, to be imported without paying Customs Duty.

A new LVI customs arrangement is planned for implementation by March 2029. Under this new system, Customs Duty will apply to parcels of any value, including those previously covered by the relief.

The change will increase costs and administrative burdens for international sellers and online marketplaces, likely passed on to UK consumers. Businesses importing goods of any value should prepare for higher tariffs and greater complexity.

14. Excise Duties on Gambling and Tobacco

The Budget includes targeted, significant increases in duties on specific consumption categories, particularly gambling and tobacco.
Gambling and Betting Duties

Following consultation, the government has moved away from a single tax on remote betting and gaming and instead introduced targeted increases:
·Remote Gaming Duty will be significantly increased from 21% to 40% starting from April 1, 2026.

·A new Remote Betting Duty rate of 25% will be introduced within General Betting Duty from April 1, 2027.

- Bingo Duty will be abolished.
- Tobacco Duty

Duty rates on all tobacco products increased by the Retail Price Index (RPI) inflation rate plus two percentage points from November 26, 2025.

Further increases are scheduled for the following year, with a one-off increase of £2.20 per 100 cigarettes (or 50 grams of other tobacco products) and the annual RPI + 2% uprating taking effect from October 1, 2026.

How Water & Shark Can Help You Navigate These Changes

At Water & Shark, we don't just react to policy — we convert it into actionable strategy. The Autumn Budget 2025 introduces a wide array of tax, investment, and regulatory changes that can affect individuals, families, and businesses in complex ways. Our role is to help you understand these changes, anticipate their impact, and take proactive steps to protect and grow your wealth.

We help you:

- Restructure income sources tax-efficiently: Ensure salary, dividends, rental income, and investment returns are optimised under the new thresholds and tax rates.
- Reassess property and wealth holding structures: Navigate the higher rental taxes, High-Value Property Surcharge, and frozen inheritance thresholds to protect assets and reduce exposure.
- Redesign compensation and benefits: Adapt share schemes, pensions, and workplace benefits to align with changing legislation while maintaining employee motivation and tax efficiency.
- Integrate UK changes with global tax and estate plans: As global citizens, your finances don't stop at borders. We align UK policies with international tax and estate strategies to minimise risk and maximise efficiency.

Our mission is to help you protect your wealth, preserve your freedom, and prosper without borders. As global advisors for global citizens, we combine deep UK expertise with an international perspective, enabling you to plan strategically, act decisively, and safeguard your financial future wherever life or business takes you.

With Water & Shark, tax and policy changes aren't obstacles, they're opportunities to take control, optimise your position, and thrive in a complex financial world.

Key Contacts:

Reach out to our team for more information in relation to the policy changes and let us know how our team we can provide you with assistance.

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