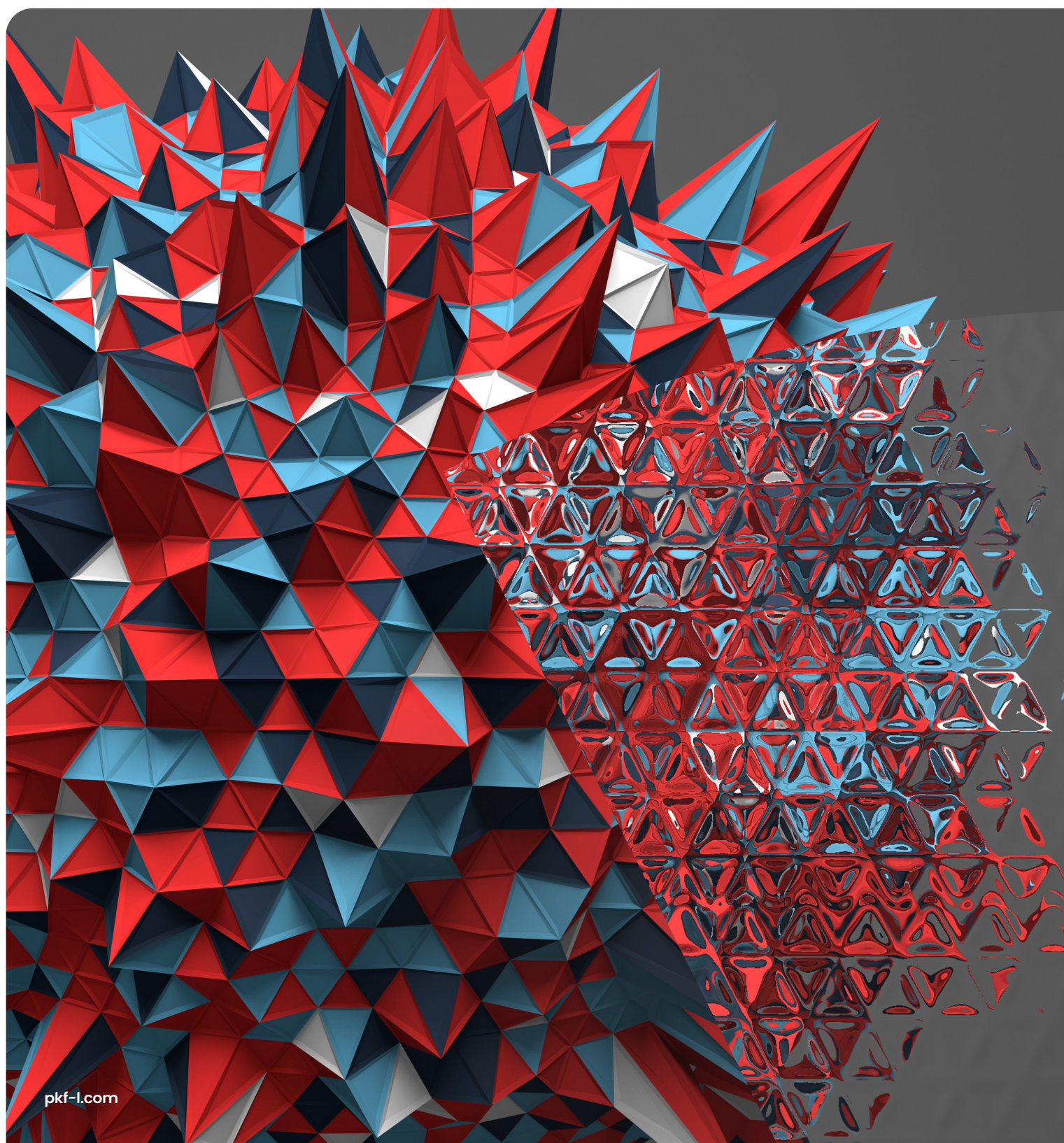


Autumn Budget 2025



Key measures announced today at a glance:



Thresholds frozen
Income Tax and employer NICs to 2030/31



Pensions salary sacrifice
NICs on contributions above £2,000



Electric vehicles charge
3p/1.5p per mile for battery/plug-in EVs



Employee ownership trusts
50% CGT relief (down from 100%)



Income Tax
2% increase on dividends, saving and property income



Council tax surcharge
£2,500 to £7,500 surcharge on properties worth £2m and up



Capital allowances
Main rate WDAs reduced to 14%



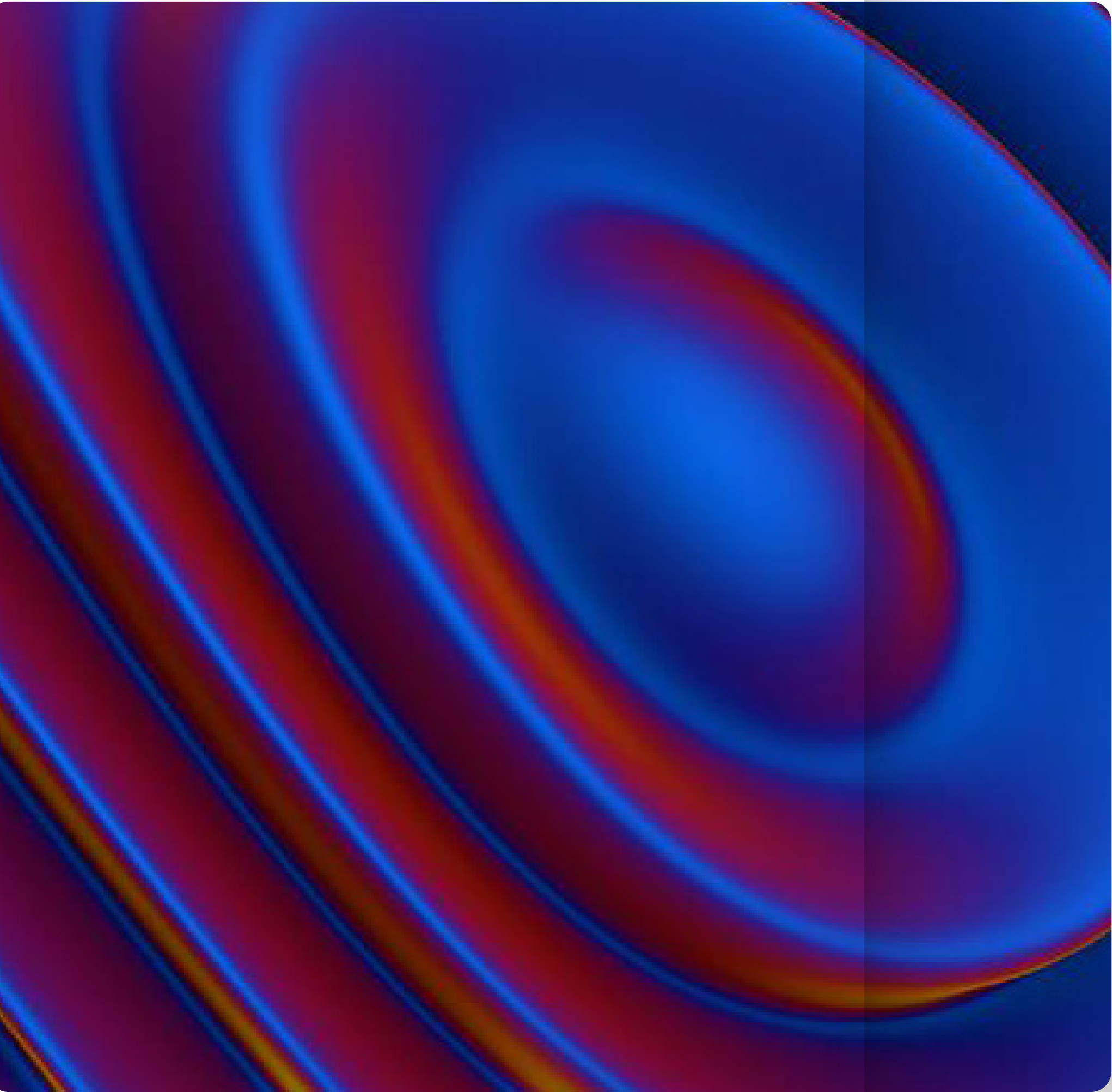
IHT
Allowances frozen



ISA
Limits frozen; £12,000 cash restriction



EMI/EIS/VCT
Relaxation of thresholds



After an exhausting few weeks (or was that months?) fuelled with speculation of numerous potential tax changes, it is perhaps apt that a Budget bloopers saw the contents of the Budget posted online by the OBR, some 45 minutes before Rachel Reeves took to the floor of the House of Commons.

An increase in Income Tax rates, which would have broken a manifesto commitment, seemed to have been cemented in the Chancellor's unusual pre-Budget speech on 4 November; but no such initiative was announced following improved economic forecasts. The freeze will also be extended to National Insurance, and let's not forget that employers National Insurance saw a rate increase to 15% last April.

With a sluggish economy hampering the government's desire to cut NHS waiting lists and ease the impact of the higher cost of living, there are a number of other announcements designed to bring in more tax revenue. The rules for salary sacrifice will be fundamentally changed going forward, in respect of pensions only; a 'Mansion Tax' will be introduced for properties valued at over £2 million, triggering additional annual council tax charges ranging from £2,500 - £7,500; and there will be a 2% increase in rates for dividends, property and saving income. As with all of these changes, the devil is in the detail.

There have been no further changes to pensions, meaning that the 25% lump sum and higher and additional rate tax relief remain intact and the mooted National Insurance changes to LLPs have not been brought in.

So – the unprecedented leak aside – this Budget is likely to be remembered for a raft of stealthy measures, in particular the freezing of multiple tax bands, which allow the government to claim it has not breached its manifesto promises. This is not a new tactic but it is a successful way to raise tax. Whether it will raise the colossal sums needed remains to be seen.



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Your business

Capital allowances

From April 2026, the writing down allowance (WDA) main rate will fall from 18% to 14%, reducing the annual relief available on qualifying expenditure that does not claim full expensing.

But there's a silver lining: starting from January 2026, a new 40% first year allowance will apply to certain assets, giving businesses a substantial upfront boost.

These changes affect both Corporation Tax-paying companies and unincorporated businesses under self assessment, specifically for expenditure that does not qualify for full expensing, which typically includes assets bought for leasing, second-hand assets and cars.

Of these assets, only leased assets will benefit from the new first-year allowance, making strategic planning essential for businesses investing in plant and machinery.

Late filers of Corporation Tax returns

The government will double the penalty for taxpayers submitting a Corporation Tax return late from 1 April 2026.

Zero-emission vehicles

The government will extend for a further year the 100% first year allowances (FYA) for qualifying expenditure on zero emission cars and the 100% FYA for qualifying expenditure on plant or machinery for electric vehicle (EV) charge points. The FYA will now be in place until 31 March 2027 for Corporation Tax purposes.

National Insurance Contributions (NICs)

As with other thresholds, the secondary threshold freeze for employer NICs has been extended for an additional three years until 2030-31, after initially being frozen to 2027-28. This threshold was also reduced from £9,100 to £5,000 in the changes to employer NICs announced at Autumn Budget 2024.

National Minimum Wage and Living Wage

From 1 April 2026, the National Living Wage will increase from £12.21 to £12.71 per hour. The National Minimum Wage for 18-20 year olds will also increase from £10 to £10.85 per hour and for 16-17 year olds and apprentices from £7.55 to £8.00 per hour.

Apprenticeship Levy

Co-investment contribution relief for SMEs will be extended from apprentices aged under 22, to those also aged 22 to 24 from April 2026.

EMI & CSOP schemes

The government has announced a number of welcome changes to the Enterprise Management Incentive (EMI) scheme eligibility limits, which will take effect from April 2026:

- No. of employees: 500 (from 250)
- Gross assets limit: £120 million (from £30 million)
- Total value of options that can be granted under the scheme: £6 million (from £3 million).

As well as the above, the maximum holding period for EMI options will be increased to 15 years (previously 10 years), including for EMI options that are already in place.

Finally, The EMI notification requirement will be removed from April 2027.

The government will allow existing EMI and Company Share Option Plan (CSOP) contracts to be amended to include Private Intermittent Securities and Capital Exchange System (PISCES) as an exercisable event.

The legislation will apply to contracts agreed before 6 April 2028, and the changes take effect retrospectively from 15 May 2025.

Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS)

The Chancellor has also announced changes to the VCT and EIS limits and reliefs.

From April 2026:

- Company investment limits will rise to £10 million (previously £5 million), and to £20 million for Knowledge Intensive Companies (KICs) (previously £10 million)
- Lifetime company investment limits will increase to £24 million (previously £12 million), and £40 million for KICs (previously £20 million)
- The gross assets test will increase to £30 million before share issue and £35 million after (up from £15 million and £16 million respectively)
- There will, however, be a notable reduction in investor relief, with VCT Income Tax relief falling to 20% (down from 30%).

UK Listing Relief

Effective from 27 November, the government has introduced a valuable incentive for listed companies: transfers of a company's securities will be exempt from the 0.5% Stamp Duty Reserve Tax (SDRT) charge for 3 years following the company's admission to a UK regulated market.

This measure aims to encourage more companies to choose UK markets.

Gambling taxation reform

Several changes to gambling duties have been announced in the Budget.

From April 2026, there will be an increase in Remote Gaming Duty from 21% to 40% and abolition of Bingo Duty from its current 10% rate.

From April 2027, a new rate of General Betting Duty for remote betting will be introduced at 25%, with some exceptions and remote bets on horseracing will remain taxed at 15%.

Business Rates

The Budget includes several changes to Business Rates:

- From 1 April 2026, Business Rates bills in England will be updated to reflect changes in property values since the last revaluation in 2023. There will also be new permanently lower retail, hospitality and leisure multipliers
- A Transitional Relief scheme will provide more generous support for those paying higher tax rates. A Business Rates Transitional Relief Supplement of 1p will also be introduced
- There are also extensions to measures which allow certain local authorities to retain a higher proportion of business rates revenue locally.



Cross border VAT grouping amendment

Whilst it was not a change of VAT law, HMRC did announce a welcome change of policy today that will reduce irrecoverable UK VAT costs for businesses with the following fact-pattern:

- a UK VAT group is in place
- the UK VAT group is unable to reclaim all of the input VAT on its expenditure due to making VAT-exempt supplies (for example, businesses operating in insurance, finance, health and gaming)
- one or more members of the VAT group is a branch of an overseas company or is a UK company with an overseas branch
- the overseas company / branch makes inbound charges to the UK VAT group.

HMRC has confirmed today that it is no longer its policy to seek to collect VAT under the reverse charge on such charges where they are inbound from certain countries (such as Belgium, Denmark and Sweden). In addition, HMRC has invited refund claims for any such reverse charge VAT paid to HMRC in the past four years.

This contrasts with the announcement last week from the Irish Revenue that it is taking the opposite view with effect from 19 November 2025, such that businesses operating in VAT-exempt sectors expect to incur irrecoverable 23% Irish VAT under the reverse charge in future.

Charity Tax Relief

From 1 April 2026, a new VAT relief will apply to business donations of goods to charity, provided these goods are either distributed to those in need or used in delivering charitable services.

E-invoicing

From April 2029, all VAT invoices must be issued in a specified electronic format. To support this transition, the government will work with stakeholders to develop an implementation roadmap, scheduled for publication at the 2026 Budget.

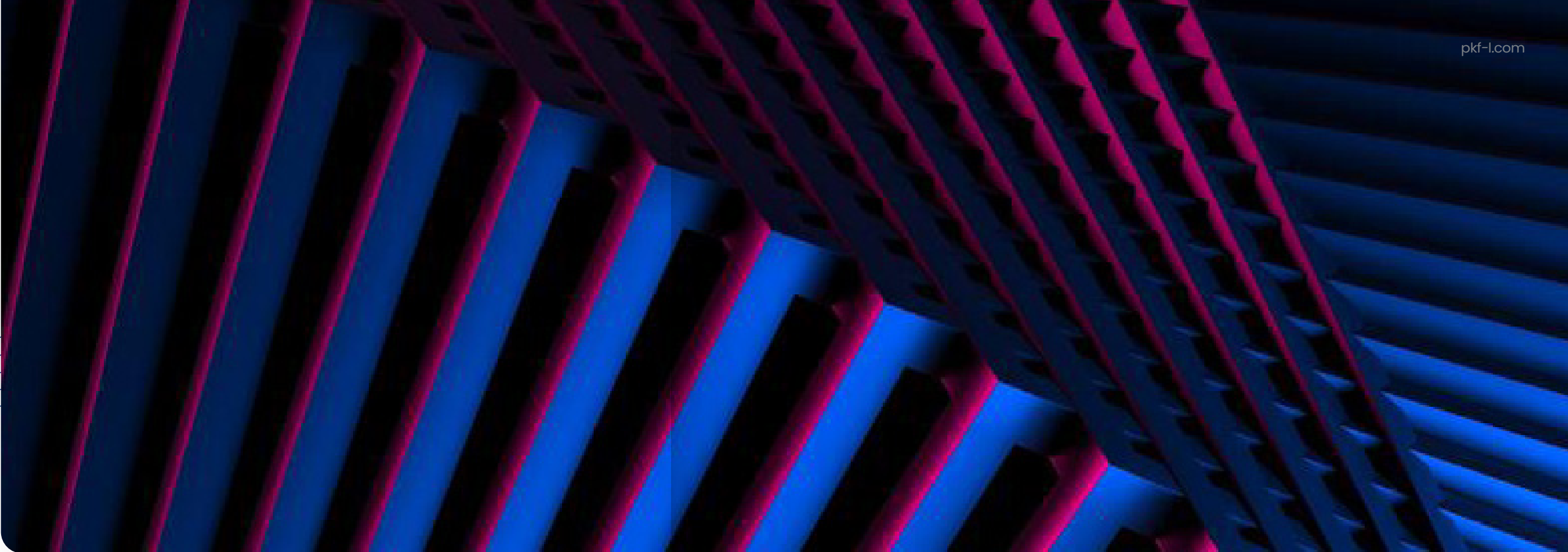
Tariff suspension extension

To avoid unnecessary costs for businesses, the government will maintain tariff-free imports until 31 December 2026, while reviewing potential further extensions. This measure continues tariff suspensions on a range of goods, and an application window for businesses to request new suspensions is now open.

HMRC approach – closing the tax gap

The government has announced a large number of HMRC administration, compliance, and debt collection measures in the Budget including:

- Reform to Transfer Pricing, Permanent Establishment and Diverted Profits Tax
- Advance Tax Certainty Service
- Targeted research and development (R&D) advance assurance service
- Creative Industries and Research & Development Expenditure Credits (RDEC)
- Corporate Interest Restriction (CIR), in respect of reporting companies and relief for certain capital expenditure in calculation of tax-EBITDA
- Digital prompts for VAT and Corporation Tax.



Your income

Income Tax, National Insurance Contributions (NICs), and student loan rate freezes

The Chancellor announced that the freeze on personal tax thresholds will be extended for a further 3 years from 2028/29 to 2030/31. As a result, the Income Tax personal allowance, the higher and additional rate thresholds are frozen at £12,570, £50,270 and £125,140, respectively, until 2030/31. In addition, the employee NIC thresholds will also be frozen over the same period.

The policy has a fiscal drag effect, bringing an additional £5.2 million into basic rate tax, and pushing an additional 4.8 million taxpayers into the higher rates of tax by 2030/31.

Student Loan Plan 2 repayment thresholds are also frozen for 3 years from 2028/29 to 2030/31, meaning more taxpayers with student loans will be dragged into higher repayments – an effective tax increase on graduates.

NIC on salary sacrificed pension contributions

From April 2029, salary sacrificed pension contributions above an annual £2,000 threshold will no longer be exempt from NICs. These pension contributions will be treated as ordinary employee pension contributions and will therefore be subject to both employer and employee NICs. Ordinary employer pension contributions will remain exempt from NICs.

Employers could look to replicate the tax benefits of salary sacrifice by reducing future wage growth and instead providing employees with higher employer pension contributions. It may also be possible to formally replicate salary sacrifice through an agreement to reduce wages and increase employer pensions contributions.

Income Tax rate increases on property, savings, and dividends

The Budget has increased tax rates on non earned components of Income Tax.

From April 2026, the basic and higher rates of tax on dividends will be raised by 2% to 10.75 and 35.75% respectively.

From April 2027, basic, higher, and additional rates of tax for savings and property income will be raised by 2%, bringing them to 22, 42, and 47% respectively.

Reliefs such as the personal savings allowance and dividend allowance will remain.

Changes to ISA allowances

From April 2027, the ISA allowance will be reformed. The maximum that can be saved to a cash ISA will be reduced to £12,000, with the total maximum of £20,000 across cash, stocks and shares ISAs retained. Over 65s will still be able to put the entire annual allowance of £20,000 into cash ISAs.

Mileage-based charge on electric cars

A new mileage-based charge on battery electric and plug-in hybrid cars will be effective from April 2028. In 2028/29, the charge will equal £0.03 per mile for battery electric cars and £0.015 per mile for plug-in hybrid cars. Drivers and employers will, however, welcome the fact that no restriction on electric vehicle salary sacrifice has been announced (despite persistent rumours).

The average driver of a battery electric car in 2028/29 can expect to pay roughly half the rate of fuel duty tax paid per mile by drivers of petrol and diesel vehicles.

These changes are partly offset by a five-month freeze to fuel duty rates until September 2026, at which point the 5% cut first introduced in 2022 will begin to be reversed through a staggered approach.

Company car tax: Employee car ownership schemes

At Autumn Budget 2024, the government announced it would bring employee car ownership schemes (ECOS) into scope of the Benefit in Kind rules from 6 April 2026. To allow more time for the sector to prepare for and adapt to this change in treatment, its implementation will be delayed to 6 April 2030, with transitional arrangements until April 2031.

High Value Property Council Tax Surcharge

The Government has announced the introduction of a new high value Council Tax surcharge. From April 2028, owners of properties identified as being valued at over £2 million by the Valuation Office Agency (in 2026 prices) will be liable for a recurring annual charge in addition to existing Council Tax. 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.

NICs re-rating

The government will increase the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) by the September 2025 CPI rate of 3.8% from 2026/27. For those paying voluntarily, the government will also increase Class 2 and Class 3 NICs rates by the same percentage in 2026/27. The LEL will be £6,708 per annum (£129 per week) and the SPT will be £7,105 per annum. The main Class 2 rate will be £3.65 per week, and the Class 3 rate will be £18.40 per week.

Voluntary NICs abroad

From 2026/27, voluntary Class 2 NICs will no longer be able to be made from abroad and the initial residency or contributions requirement to pay voluntary NICs outside of the UK will increase to 10 years. The government will also launch a wider review of voluntary NICs with a call for evidence in the new year.

Image rights payments

Legislation will take effect from 2027/28 to ensure that all image rights payments related to employment are treated as taxable employment income and subject to Income Tax, and employer / employee NICs.

Non-reimbursed employment expenses for homeworking

The government will remove the deduction from Income Tax for non-reimbursed home working expenses from 2026/27. Employers will still be able to reimburse employees for such costs where eligible, gross of any deductions.

Aligning PAYE notifications with the Overseas Workday Relief 30% limit

The government will limit the proportion of earnings an employer can exclude from PAYE through a PAYE notification to a maximum 30% where the individual is a qualifying new resident and eligible for Overseas Workday Relief. This will be legislated for in Finance Bill 2025/26 and take effect from 6 April 2026.

PAYE changes for umbrella company arrangements

Draft legislation was published in July 2025 which makes employment agencies and / or end-users of temporary labour jointly liable for under-assessed / withheld PAYE by umbrella companies. No further details were set out in the Budget statement, so we await final details of how this will be implemented from April 2026.

Expanding workplace benefits relief

The Income Tax and NIC exemption for employer-provided benefits will be extended to cover reimbursements for eye tests, home working equipment, and flu vaccinations. This is a welcome simplification for employers.

Temporary non-resident post departure trade receipts loophole closed

From 6 April 2026, all distributions from close companies to a temporary non-resident individual (ie, non-resident for less than 5 years) will be fully subject to tax on their return to the UK. This is a change from the previous rules, where profits arising post departure from the UK would not have been caught by this anti-avoidance provision.

Your capital

Inheritance Tax (IHT) rate freeze

The nil-rate band (£325,000) and the residence nil-rate band (£175,000) will continue to be frozen for a further year until 2031. In addition, the forthcoming allowance for the 100% rate of Agricultural Property Relief (APR) and Business Property Relief (BPR) will also be fixed at £1 million for a further year until April 2031.

Spousal transfer of unused APR/ BPR 100% allowance

From 6 April 2026, any unused portion of the £1 million allowance for the 100% rate of APR and BPR will be transferable between spouses and civil partners, including if the first death was before 6 April 2026.

IHT treatment of unused pension funds and death benefits

From 6 April 2027, personal representatives will be able to direct pension scheme administrators to withhold 50% of taxable benefits for up to 15 months and pay IHT due in certain circumstances. Personal representatives will be discharged from a liability for payment of IHT on pensions discovered after they have received clearance from HMRC.

IHT anti-avoidance

The government will legislate to prevent IHT avoidance through certain loopholes, including ensuring UK agricultural property held via non-UK entities is treated as UK-situated, addressing changes in status of trust assets before an exit charge, and restricting charity exemptions to direct gifts to UK charities and clubs. This will be legislated for in Finance Bill 2025/26 and will take effect for trust exit charges from 26 November 2025, gifts to charities in lifetime from 26 November 2025 or on a death from 6 April 2026, and for UK agricultural property from 6 April 2026.

Capping IHT trust charges for excluded property in trusts

The government will introduce a cap of £5 million on relevant property trust charges for pre-30 October 2024 excluded property trusts. This will be legislated for in Finance Bill 2025/26 and will apply to trust charges from 6 April 2025.

Capital Gains Tax (CGT) relief on Employee Ownership Trusts

The Chancellor has announced that the CGT relief on disposals to Employee Ownership Trusts (EOT) will be reduced from 100% to 50% from November 2025. EOTs are a corporate ownership structure whereby a controlling interest in a company is held by the trustees. Previously, company owners who made a qualifying disposal of shares to the trustees of an EOT benefited from 100% relief of CGT; under the new rules, however, 50% of gains will be treated as chargeable gains and subject to CGT.

Capital Gains Tax anti-avoidance

The government will modernise the anti-avoidance provisions that apply to share exchanges and company reorganisations with immediate effect.

Business Asset Disposal Relief to increase

As previously announced, the rate of Business Asset Disposal Relief will increase to 18% from 14% from April 2026. The Lifetime allowance also remains unchanged at £1m.

Electric vehicles

The government has announced an increase to the Expensive Car Supplement (ECS) threshold for battery electric cars from £40,000 to £50,000 in April 2026. The ECS is an additional VED charge which is spread over five years, commencing a year after the vehicle is first registered, totalling £2,370 for a car purchased in 2025/26. The government has also expanded the electric car grant between 2025/26 and 2029/30.

No changes to pension lump sum payments

While there was a change to salary sacrifice contributions for pensions, there were no announcements regarding taxation of pension lump sums or, indeed, any extraction of pensions during lifetime, despite intense speculation in the run up to the Budget.

Our expert team can help you understand the impact of the Autumn Budget on you and your business

To find out more please contact our Tax team.



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