

For financial advisers only

Autumn Budget 2025 overview

We've summarised the key points relating to pensions and investments announced by the Chancellor in the Autumn Budget on 26 November 2025.

Pensions

Salary sacrifice

The Chancellor announced that from April 2029, the exemption from National Insurance (NI) will be restricted to the first £2,000 of an employee's contribution via salary sacrifice. Employees can continue to sacrifice more than £2,000 but will only get income tax relief on the amount above £2,000. Employers and employees will have to pay NI on amounts sacrificed above £2,000.

This means that from April 2029 the maximum NI saving from salary sacrifice will be:

- Employees: 8% of £2,000 = £160 pa
- Employers: 15% of £2,000 = £300 pa

Employers will need to update their payroll systems to ensure NI is charged on contributions once the £2,000 cap is exceeded. Further guidance is expected from HMRC.

Inheritance tax and pensions

A brief summary of new features of the process for Inheritance Tax (IHT) to support personal representatives (PRs) to administer estates containing pensions was announced. If PRs reasonably expect IHT to be due, they can direct pension scheme administrators (PSAs) to withhold 50% of the taxable benefits for up to 15 months from the date of death. PRs can then direct PSAs to pay the IHT due to HMRC before releasing the rest of those benefits to pension beneficiaries. If the instruction is withdrawn or the period ends, the remaining funds can be paid out. This will not apply to exempt benefits, funds under £1,000, or continuing annuities. PRs will also be discharged from liability for pensions discovered after they have received clearance from HMRC. This will be legislated for in Finance Bill 2025-26 and will be effective from 6 April 2027. HMRC are holding further workshops with industry on 5th and 8th December.

Tax-free cash and pension tax relief

It was confirmed that there are no changes to the tax-free cash rules. The maximum amount of tax-free cash an individual can access from all pensions remains 25% (subject to the individual's remaining lump sum allowance / lump sum and death benefit allowance.) No changes to pension tax relief were announced either, despite much press speculation.

Pension protection fund (PPF) and Financial Assistance scheme (FAS) for defined benefit pensions

From January 2027, the government will introduce CPI-linked increases, capped at 2.5% a year, on pre-1997 pension accruals where the original schemes provided this benefit. The aim of this change is to help protect PPF and FAS members from the impact of inflation on their pensions.

State Pension

The Chancellor announced the following changes in relation to the State Pension today:

- With effect from the 2027-28 tax year, pensioners whose sole income is the basic or new State Pension without any increments will not have to pay small amounts of tax via Simple assessment. Detail on how this will be achieved will be published next year.
- In line with earnings growth, the basic and new State Pension will be increased by 4.8% from April 2026. This will impact over 12 million pensioners who will gain up to £575 each during 2026-27.
- Access to the Class 2 Voluntary National Insurance contributions (VNICs) will stop for those living abroad who have limited connection to the UK from April 2026, limiting cheap access to the UK State Pension. To do this an increase will be made to the period required to qualify for VNICs to 10 years. Legislation will be laid before Parliament before 6 April 2026 and a wider review of VNICs will be launched.

Investments and tax

Income tax

The UK income tax thresholds (and the equivalent national insurance thresholds) will remain fixed for a further three years until 5 April 2031.

From 6 April 2026, the ordinary rate applying to dividend income will rise from 8.75% to 10.75% and the upper rate will increase from 33.75% to 35.75%. The additional rate will remain at 39.35%. The £500 dividend allowance will continue to apply.

From 6 April 2027, the tax rate applying to savings income will rise from 20%, 40% or 45% to 22%, 42% or 47% respectively. This will increase the notional tax credit on onshore bonds to 22% and tax deducted at source on interest will increase to 22%. The personal savings allowance will remain at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers. The £5,000 limit for the 0% starting rate for savings will remain fixed until 5 April 2031.

Property income will have its own separate tax rates with effect from 6 April 2027. The property basic rate will be 22%, the property higher rate will be 42% and the property additional rate will be 47%.

ISAs

The ISA allowance will remain at £20,000. From April 2027, investors under 65, will only be able to pay a maximum of £12,000 into a cash ISA with the remaining £8,000 being reserved for stocks and shares investments. Over 65s will still be able to invest their full £20,000 allowance into a cash ISA. Financial services firms will have to provide new easy to use methods to help investors choose the most suitable UK investment.

The ISA allowance will remain fixed at £20,000, the lifetime ISA allowance at £4,000 and the Junior ISA allowance at £9,000 until 5 April 2031.

The Government will issue a consultation in 2026 in relation to replacing the Lifetime ISA with a new simpler ISA for individuals wanting to save to buy their first property.

Inheritance tax

The nil rate band will be frozen at £325,000 and the residence nil rate band at £175,000 for an additional year to April 2031.

Any unused £1,000,000 allowance for 100% relief for business property relief and agricultural property relief will be transferable between spouses and civil partners. This allowance will also be frozen at £1,000,000 until April 2031.

Venture capital trusts

The income tax relief will reduce from 30% to 20% from 6 April 2026.

2026/27 allowances and rates

	Tax year 2026/27	Tax year 2025/26
Income tax – allowances		
Personal Allowance*	£12,570	£12,570
Income limit for personal allowance	£100,000	£100,000
Marriage allowance	£1,260	£1,260
Dividend allowance	£500	£500
Personal savings allowance- basic rate taxpayer	£1,000	£1,000
Personal savings allowance – higher rate taxpayer	£500	£500
Personal savings allowance – additional rate taxpayer	Nil	Nil

** Reduced by £1 for every £2 of income over £100,000*

	Tax year 2026/27	Tax year 2025/26
Rest of UK income tax – rates		
Basic	20%	20%
Higher	40%	40%
Additional	45%	45%
Scottish income tax – rates***		
Starter	TBC in Scottish Budget	19%
Basic	TBC in Scottish Budget	20%
Intermediate	TBC in Scottish Budget	21%
Higher	TBC in Scottish Budget	42%
Advanced	TBC in Scottish Budget	45%
Top	TBC in Scottish Budget	48%
Welsh income tax – rates		
Basic	Rest of UK rates apply	Rest of UK rates apply
Higher	Rest of UK rates apply	Rest of UK rates apply
Additional	Rest of UK rates apply	Rest of UK rates apply

Savings rates

Starting rate – limit first £5,000 of savings income	0%	0%
Savings rate – basic rate	20%	20%
Savings rate – higher rate	40%	40%
Savings rate – additional rate	45%	45%

Dividend rates

Ordinary rate	10.75%	8.75%
Upper rate	35.75%	33.75%
Additional rate	39.35%	39.35%

Tax year 2026/27 **Tax year 2025/26**

Rest of UK (including Wales) income tax - bands

Basic rate	£1 - £37,700	£1 - £37,700
Higher rate	£37,701 - £125,140	£37,701 - £125,140
Additional rate	Over £125,140	Over £125,140

Scottish income tax – bands***

Personal allowance	TBC in Scottish Budget	£12,570
Starter rate	TBC in Scottish Budget	£12,571 - £15,397
Basic rate	TBC in Scottish Budget	£15,398 - £27,491
Intermediate rate	TBC in Scottish Budget	£27,492 - £43,662
Higher rate	TBC in Scottish Budget	£43,663 - £75,000
Advanced	TBC in Scottish Budget	£75,001 - £125,140
Top rate	TBC in Scottish Budget	Over £125,140

Rate applicable to discretionary trusts

Rate applicable to trusts	45%
Dividend rate	39.35%

	Tax year 2026/27	Tax year 2025/26
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Pensions tax

Lump Sum Allowance	£268,275	£268,275
Lump Sum Death Benefit Allowance	£1,073,100	£1,073,100
Overseas Transfer Allowance	£1,073,100	£1,073,100
Annual allowance****	£60,000	£60,000
Money purchase annual allowance	£10,000	£10,000

**** Reduced by £1 for every £2 of adjusted income above £260,000, to a minimum of £10,000.

Capital gains tax

Annual exemption (individuals and personal representatives)	£3,000	£3,000
Annual exemption (trustees)	£1,500	£1,500
Basic rate	18%	18%
Higher rate	24%	24%
Trust rate	24%	24%

Inheritance tax

Rate	40%	40%
Nil rate band	£325,000	£325,000
Residence nil rate band	£175,000	£175,000



ISA thresholds

Maximum investment	£20,000	£20,000
Lifetime ISA	£4,000	£4,000
Junior ISAs	£9,000	£9,000

Tax year 2026/27

Tax year 2025/26

Class 1 National insurance thresholds

Weekly Lower earnings limit (LEL)	£129	£125
Weekly Primary threshold (PT)	£242	£242
Weekly Secondary threshold (ST)	£96	£96

Class 1 National insurance rates

Employee contribution rates

Below LEL	0%	0%
Between LEL and PT	0%	0%
Between PT and UEL	8%	8%
Above UEL	2%	2%

Employer contribution rates

Below ST	0%	0%
Above ST*****	15%	15%

***** Special rules for under 21 years old and apprentices under 25 years old



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