

NOVEMBER 2025 | ISSUE 52

# FINANCIAL FOCUS

||| OBJECTIVE  
WEALTH

## Objective Wealth Budget Response

After much anticipation and speculation, we finally have the Autumn 2025 budget. Months of speculation have ended with a budget that is probably not as punitive as was expected, considering the response of Sterling and the UK Equity indices.

Rachel Reeves was clear in the run-up to the budget that there were going to be tax increases, and therefore, the nation could hardly be blamed for the anxiety felt when considering how this may affect them. When you understand that the majority of the revenue produced by taxpayers comes from income tax, national insurance and VAT, then you see that Rachel Reeves has only a narrow beam to shine to raise the necessary billions to fill the 'black hole'.

You will see in the factual information below that confirms the way in which the tax increases will affect your finances, and you will note that the increases are aimed at those with 'unearned income', i.e. property rental income, dividends and savings. These increases will hit those with assets, but do not think this means that earned income in the form of income tax escape. Consider that the number of people paying 40% income tax increased from 3.98 million in 2020/21 to 5.6 million in 2023/24, as a result of the freezing of tax bands and wage inflation.



### THIS MONTH'S FEATURED ARTICLE

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Therefore, there is no need to increase income tax by a percentage point or two when you have over 7% more of all taxpayers contributing 40% as opposed to 20%.

This does not take into account individuals who are now paying 20% tax on their pensions for the first time, as a result of the Personal Tax allowance being frozen for successive years. The freeze on tax thresholds being increased has been extended to 2031 by the Chancellor. Even if inflation continues to fall, wage increases will still produce more income for the Exchequer.

John Wheatley  
Managing Director

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## Autumn Budget 2025 – Pensions and Investments Overview

### *Pensions*


**Salary Sacrifice:** From April 2029, National Insurance (NI) relief on salary sacrifice contributions will be limited to the first £2,000. Contributions above this threshold will only attract income tax relief, with both employer and employee NI payable. The maximum NI saving will be £160 for employees and £300 for employers annually. Employers will need to adjust payroll systems, and HMRC guidance is expected.

**Inheritance Tax and Pensions:** Effective 6 April 2027, personal representatives (PRs) can direct pension scheme administrators (PSAs) to withhold 50% of taxable benefits for up to 15 months to settle IHT, reducing PR liability for post-clearance discoveries. Exempt benefits, funds under £1,000, and continuing annuities are excluded.

**Tax-Free Cash and Pension Relief:** No changes were announced. Individuals can still access up to 25% of pensions as tax-free cash, and existing pension tax relief continues.

**PPF and FAS:** From January 2027, CPI-linked increases (capped at 2.5%) will apply to pre-1997 pension accruals, protecting members from inflation.

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**State Pension:** The basic and new State Pension will rise by 4.8% from April 2026, benefiting over 12 million pensioners. Small tax payments via Simple Assessment will be removed for pensioners with only State Pension income from 2027-28. Voluntary National Insurance contributions for overseas residents will be restricted from April 2026.

### ***Investments and Tax***

**Income Tax:** UK income tax and NI thresholds remain frozen until April 2031.

**Dividends:** From 6 April 2026, dividend tax rates increase by 2 percentage points: basic rate 10.75%, higher rate 35.75%, additional rate unchanged at 39.35%. The £500 dividend allowance remains. Financial advisers may consider tax-efficient wrappers such as pensions or ISAs to shelter dividend income before the rate change.

**Savings Income:** From 6 April 2027, savings income tax rises by 2 percentage points: basic 22%, higher 42%, additional 47%. The personal savings allowance remains £1,000/£500 for basic and higher rate taxpayers, and the £5,000 0% starting rate remains until 2031.

**Property Income:** From 6 April 2027, property income will have separate tax rates aligned with savings income: basic 22%, higher 42%, and additional 47%. This highlights the need for careful structuring of buy-to-let and other rental income portfolios.

**ISAs:** Total annual allowance remains £20,000. From April 2027, cash ISA subscriptions are capped at £12,000 for under-65s, with the remainder reserved for stocks & shares. Over-65s can invest the full £20,000 in cash ISAs. Lifetime ISAs will be replaced with a simpler first-time buyer product, with consultation planned for 2026. Junior ISA limits remain £9,000.

**Inheritance Tax:** Nil rate band (£325,000) and residence nil rate band (£175,000) are frozen until 2031. Unused £1 million allowances for business or agricultural property relief remain transferable between spouses.

**Venture Capital Trusts:** Income tax relief will reduce from 30% to 20% from 6 April 2026.

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