

AUTUMN STATEMENT OVERVIEW

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Autumn Statement 2025: What it means for you and your business

The Chancellor's Autumn Statement today brings measures that will feel particularly tough for SMEs, especially those employing staff on the minimum wage. While headline tax rates remain unchanged, the freeze on personal tax thresholds until 2031 is effectively a tax rise and more employees will be dragged into higher tax bands. Now 1 in 4 working individuals will pay more than the basic band rate of tax. Surely this was never the intention on introduction? For businesses, this creates a double squeeze: rising payroll costs and increased pressure on employees' take-home pay.

The planned increase in the National Minimum Wage to £12.71 per hour from April 2026 will hit SMEs who have large unskilled workforces. Retail, hospitality, and care sectors will feel the pinch most, significantly increasing operating costs. Combined with frozen employer NIC thresholds and no relief on corporation tax (still at 25%), the cost of employment is set to rise sharply. Businesses will need to balance competitiveness with affordability whilst navigating tighter margins.

Other measures that will be particularly important for SMEs include a cut in capital allowance thresholds for the main pool, increases to the thresholds for Enterprise Management Incentive Schemes (for the company only but not the individual) and changes to Employee Ownership Trust tax rates. Previously, shareholders could sell and be completely exempt from paying CGT on their proceeds, tax is now levied at 50%, but the sting in the tail is that you can't have your Business Asset Disposal Relief on the proceeds that are subject to CGT. That will make it unviable for smaller businesses who wanted to sell to employees.

All in all, not as bad as feared, but still pretty hard for business to swallow.

If you do have any questions regarding today's Statement, please do not hesitate to get in touch with me or your relationship partner.



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Freezes to Personal Allowance and basic rate limit for Income Tax and National Insurance Contributions (NICs) thresholds

Freezes to the income tax Personal Allowance have been announced as expected. The basic rate threshold stays at £12,570 and higher rate threshold is £50,270 from April 2028 to April 2031. The additional rate threshold remains at £125,140 from April 2028 to April 2031.

Changes to tax rates for dividends, savings and property

From **April 2026**, the rate at which dividends will be taxed will increase. The basic rate will be increased by **2% to 10.75%** and the higher rate will be increased by **2% to 35.75%**. The additional rate will remain unchanged at **39.35%**.

From **April 2027**, the rate at which savings will be taxed will increase. The savings basic rate will be increased by **2% to 22%**, the savings higher rate will be increased by **2% to 42%** and the savings additional rate will be increased by **2% to 47%**.

From **April 2027**, property income will also have its own separate tax bands. The property basic rate will increase by **2% to 22%**, property higher rate will be increased by **2% to 42%** and the property additional rate will be increased by **2% to 47%**.

Key Update on Agricultural and Business Property Relief (APR, BPR)

The Chancellor has introduced a welcome amendment that will impact estate planning: spouses can now transfer unused APR and BPR allowances between them.

This new measure means that a surviving spouse can now access up to £2million of relief on qualifying business or agricultural property (if their spouse has not used any of the relief).

Other IHT measures include;

- The current nil rate band ('NRB') available for each individual of £325,000 has been frozen until April 2031.
- The additional £175,000 residence NRB, which is available for estates where the family home is left to direct descendants for an estate under £2m, remains in point.
- The upcoming £1 million 100% cap on BPR and APR coming into effect in April 2026 and legislated until 2030 has been extended until April 2031.

As these thresholds remain unchanged while asset values continue to rise, fiscal drag means that a greater proportion of estates will fall within the IHT charge.

Capital Allowances - new 40% first year allowance on main pool plant and machinery

Currently, 'full expensing' offers 100% relief on most items of plant and machinery acquired by UK businesses. The main exclusions are as follows:

- Relief is only available to incorporated businesses
- Second-hand assets are not eligible for relief
- Assets purchased for use in a leasing business (e.g. plant hire companies) are also not eligible for relief

To compensate for these restrictions, from 1 January 2026, a new 40% first year allowance will be available for all businesses, including sole traders/partnerships. Cars, second-hand assets and assets leased overseas will remain excluded from relief but importantly, assets leased within the UK will become eligible.

This will accelerate relief for leasing businesses with expenditure in excess of £1m per annum as annual investment allowance currently provides 100% relief up to this level.

Decrease to rate of written down allowances on main rate plant and machinery

For businesses that are not eligible for full expensing or the new first year allowance, from April 2026 onwards, the written down allowance rate for main pool assets will be reduced from 18% to 14%.

At 18%, relief on the cost of an asset in the main pool would be spread over a period of approximately 5.5 years. At the new rate of 14%, relief will be spread over a longer period of approximately 7 years.

Capital allowances: extension to first year allowances on zero-emission vehicles and electric vehicle charging infrastructure

The 100% first-year allowance for qualifying expenditure on zero-emission cars and electric vehicle charge-points has been extended to 31 March 2027 for corporation tax purposes and 5 April 2027 for income tax purposes.

Changes to NIC relief on pension salary sacrifice - effective April 2029

From April 2029, the National Insurance relief available on employee pension contributions made via salary sacrifice will be capped.

Only the first £2,000 of employee pension contributions made each year through salary sacrifice will be exempt from both employer and employee NICs. All pension contributions, whether made via salary sacrifice or directly, remain exempt from Income Tax (subject to the usual limits).

Employers and employees can continue to use salary sacrifice for pension contributions above £2,000, but any excess will attract employer and employee NICs.

Enterprise Management Incentive (EMI) Scheme – expansion from 6 April 2026

The EMI scheme is a popular way for growing businesses to reward and retain key talent. From April 2026, eligibility will widen substantially:

Note: The £250k per-employee cap remains unchanged, so enhancements apply only at company level.

- Share option limit doubled – from £3 million to £6 million
- Gross assets threshold increased – companies with up to £120 million in assets can now qualify
- Employee headcount limit raised – up to 500 employees
- Exercise period extended – from 10 years to 15 years

HMRC confirms that existing EMI agreements can be amended without losing tax benefits, provided changes comply with legislation.

Employee Ownership Trust (EOT) – CGT relief reduced

Prior to the budget, disposals of shares to an EOT qualified for full CGT relief. From 26 November 2025, only 50% of the capital gain will be relieved at the point of sale, providing the relevant CGT conditions are met.

Ordinarily, the remaining 50% of the gain will be liable to CGT on 31 January following the tax year of disposal. No access to Business Asset Disposal Relief ('BADR') will be available, based on the legislation as currently drafted.

The 50% gain relieved, will not be chargeable at the time of disposal and will be held over, providing the relevant conditions are met and will only become chargeable to CGT at a time when the conditions are breached, or for example, the EOT decides to sell a majority shareholding in the company. This marks a significant shift for succession planning strategies.

Changes to Enterprise Investment Scheme and Venture Capital Trust Scheme

The Chancellor announced changes to the Enterprise Investment Scheme (EIS) and Venture Capital Trust Scheme (VCT) from 6 April 2026.

These are tax advantaged investment schemes that encourage investors to invest in small startup companies by providing up front income tax relief.

Sadly, from April 2026, the rate of income tax relief on VCT investments will drop from 30% to 20%.

However, the scope of the schemes has been widened so that larger business will qualify and increase the amount that can be raised. From April 2026 new limits will be as follows:

- Before share issue: The gross asset limit will double from £15 million to £30 million
- Immediately after share issue: The limit will increase from £16 million to £35 million
- Increase the annual investment limit that companies can raise from £5 million to £10 million and for knowledge-intensive companies from £10 million to £20 million
- Increases the company's lifetime investment limit to from £12 million to £24 million and for knowledge-intensive companies from £20 million to £40 million

Electric Vehicle Excise Duty (eVED)

From April 2028, Electric Vehicle Excise Duty (eVED) will be introduced. This is a new mileage charge for electric and plug-in hybrid cars which will be 3p per mile for electric car drivers, while plug-in hybrid drivers will pay 1.5p per mile. There are currently no details on how this will work in practice, so we will have to wait for the detailed legislation before having clarity.

Changes to Corporation Tax late filing penalty – effective 1 April 2026

From the start of next April, the penalties for taxpayers submitting a Corporation Tax return late will be doubled. The new penalties are £100 if the return is 1 day late and £400 if it is 3 months late. If a return is submitted late three times in a row, the £200 penalty is increased to £1,000, and the £400 to £2,000.

Individual Savings Accounts (ISA) changes

The full £20,000 annual ISA allowance remains, but £8,000 must be invested in stocks and shares.

Cash ISA contributions for most savers drop to £12,000, whilst individuals over the age of 65, will still be able to keep the full £20,000 in cash.

National Living Wage (NLW) changes from 1 April 2026

From 1 April 2026, the NLW will increase by 4.1% to £12.71 per hour.

The NLW for 18-20 year olds will also increase by 8.5% to £10.85 per hour and for 16-17 year olds and apprentices by 6.0% to £8.00 per hour.

The accommodation offset will increase by 4.1% to £11.10 per day.

Council tax surcharge

Dubbed the ‘**mansion tax**’, the owners of properties worth £2m or more will face a new “high value council tax surcharge” from April 2028.

There will be four bands, with properties worth £2m incurring a surcharge of £2,500 and the charge rising to £7,500 for those worth £5m or more.

The government has announced a consultation on the measures, meaning not all details are confirmed although previous reports had indicated homeowners would be able to defer the cost until they die or move house to avoid forcing them to sell up.

Indirect taxes

Low value Imports A consultation will run until 6 March 2026 on the removal of the relief from customs duties for low-value imports – addressing fairness concerns for high street retailers and improve compliance.

The proposal is to remove the relief and introduce new arrangements by March 2029 at the latest, requiring sellers and online marketplaces to pay the duty quarterly (aligned with VAT return).

The Treasury estimates that around £6bn worth of goods currently exempt will be affected, generating at least £500m annually in additional revenue.

Remote gambling The government have announced changes to the remote betting and remote gaming rules and rates – but shied away from introducing a single remote gaming and betting duty, accepting that there are distinct characteristics and levels of harm associated with different types of betting.

The changes are as follows:

- Remote gaming: From April 2026 Remote Gaming Duty will increase from 21% to 40%
 - Remote betting: From April 2027 a new Remote Betting Rate within General Betting Duty set at 25% will be introduced
 - Horseracing: Remote UK horseracing bets will not be subject to the new rate remote betting rate, and will remain taxed at 15%
 - Bingo Duty: Bingo Duty will be abolished from April 2026
 - Other gambling duties: No changes are proposed to any of the other gambling duties
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Charitable donations of goods

Following a consultation in spring / summer 2025 the government has decided to introduce a relief for business donations of goods to charity, to come into force on 1 April 2026 following Royal Assent of the Finance Bill 2025/2026. The aim of the relief is to make it easier for businesses to donate surplus goods.

The relief will apply to most goods with a £100 per-item limit – with the per-item limit increasing to £200 for items deemed ‘essential’ to deal with digital poverty (these items are white goods, furniture, computers, mobile devices). Excise-able goods (alcohol, tobacco, vapes) are excluded from the relief.

Skandia and VAT Grouping

Hidden amongst the budget documents is Revenue and Customs Brief 7 regarding VAT grouping and Skandia. Previously, following the CJEU’s Skandia judgment and HMRC’s 2015 briefs, certain intra-group services were treated as taxable under the reverse charge mechanism.

From 26 November 2025, this approach is no longer effective. HMRC now considers that overseas establishments of UK VAT-grouped businesses should be treated as part of the same VAT group, even if located in an EU member state that does not operate ‘whole entity VAT grouping’. HMRC consider this change to reflect its revised interpretation of UK VAT law and, therefore, that no legislative amendment is needed.

Businesses that accounted for VAT under the previous guidance may now be eligible to reclaim overpaid VAT - affected VAT groups should review their position and submit claims where appropriate.

Vaping Products Duty & Duty Stamps Scheme

The new Vaping Products Duty will apply from 1 October 2026, supported by a Duty Stamps Scheme:

- From 1 April 2026, businesses must apply for HMRC approval to affix duty stamps
- All vaping products manufactured or imported after 1 October 2026 must carry a duty stamp
- Enforcement measures include civil penalties, forfeiture, and criminal sanctions, with powers to ban premises involved in illicit activity

Loan charge settlement opportunity

The settlement opportunity will substantially reduce the amount that they have to pay, particularly those with the lowest liabilities (typically those on the lowest incomes). Where people decide to settle, most individuals could see reductions of at least 50% in their outstanding loan charge liabilities and an estimated 30% of individuals could be able to settle without paying anything.

Umbrella companies

Recruitment agencies that use umbrella companies to engage the workers they supply, end client organisations that use workers who are engaged by umbrella companies where there is no agency in the labour supply chain and umbrella companies that process pay for workers on behalf of agencies and end clients will be effected by new legislation.

From 6 April 2026 legislation will be introduced to make recruitment agencies responsible for accounting for PAYE and Class 1 NICs on payments made to workers that are supplied via umbrella companies.

Where there is no agency, this responsibility will fall to the end client business. The legislation will make employment agencies or end clients joint and severally liable for any amount required to be accounted for under the PAYE provisions, where an umbrella company forms part of a labour supply chain.

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