Chadwicks
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UK Budget Summary

November 2025

Introduction

The November 2025 UK Budget sets out a package of measures aimed at increasing tax revenues from wealth and assets, while supporting targeted investment, innovation and public services. The changes will be particularly relevant for individuals with significant investment income, property owners, growth businesses and groups undertaking substantial capital expenditure.

Tax increases on income from assets

The government's core objective is to narrow the gap between tax on earnings and tax on income from assets such as property, dividends and savings. Over the next few years, this will increase the overall tax burden on higher earners and asset-rich households, while leaving the position unchanged for most basic rate taxpayers.

Key points include

- From April 2027, property (including rental) income tax rates will rise by 2 percentage points, with basic, higher and additional rate bands all increasing compared with current income tax levels.
- From April 2026, dividend tax ordinary and upper rates will increase by 2 percentage points, while the additional rate is unchanged.
- From April 2027, savings income tax rates across all bands will increase by 2 percentage points.

The impact is expected to fall mainly on

- Higher earners and individuals with significant property, dividend or savings income.
- The top 20% of households, who will contribute the majority of the additional revenue, while over 90% of taxpayers currently pay no savings tax and most pensioners are unaffected.

Existing tax-advantaged wrappers and allowances, such as ISA protection for interest and dividends and small income allowances, are maintained. Property income changes apply across England, Wales and Northern Ireland, with Scotland and Wales retaining powers to vary rates.

Property and wealth measures

The Budget introduces a new high-value property surcharge ("mansion tax") from April 2028, targeted at a small proportion of high-value homes. The surcharge applies to owners rather than occupiers, with receipts earmarked to support local services, subject to consultation on detailed design in 2026.

Headline features

- Properties valued between £2m and £2.5m face an additional fixed annual charge.
- Properties valued above £5m face a higher annual charge.
- Fewer than 1% of UK properties are expected to be within scope.

For wealth and succession planning, the reduction in Capital Gains Tax relief on disposals to Employee Ownership Trusts (EOTs) from 100% to 50% represents a significant change in the economics of moving to employee ownership. The government's rationale is the rapid increase in cost of the relief, though EOTs will remain an attractive structure for many owner-managers despite the reduced tax benefit.

Pensions and salary sacrifice

From 2029, the Budget restricts the use of salary sacrifice into pensions for National Insurance Contributions (NIC) savings. Only the first £2,000 of salary sacrificed into pensions per individual will qualify for NIC exemption, with standard NICs applying to any excess.

This change will

- Increase costs for higher earners and employers who currently use larger salary sacrifice arrangements.
- Require a review of existing pension salary sacrifice schemes to assess impact on total reward packages and consider alternative planning.

Capital allowances and investment

The Budget announces a tightening of mainstream capital allowances, partly offset by a new targeted first-year allowance for leased assets. These measures will influence how businesses structure capital investment and how quickly they obtain tax relief.

Key changes

- From April 2026, the main rate writing down allowance (WDA) will reduce from 18% to 14%.
- From January 2026, a new 40% first-year allowance will be available for certain assets that do not qualify for full expensing, with a particular focus on leased assets.

The immediate impact of the WDA reduction will be felt by

- Businesses with existing balances in the main pool, which will now relieve expenditure more slowly.
- Purchasers of second-hand main pool assets where expenditure above the Annual Investment Allowance (AIA) limit will benefit only from the lower 14% WDA.

The new 40% first-year allowance should provide welcome relief where leased assets have previously been excluded from enhanced reliefs, though detailed rules will be needed to model the net effect. Businesses should prioritise capital allowances reviews within open amendment windows to optimise use of Full Expensing, AIA and the new first-year allowance.

Enterprise Management Incentives and employee incentives

From 6 April 2026, the Enterprise Management Incentives (EMI) regime will be expanded, broadening access and flexibility for high-growth companies. The changes are aimed at supporting scale-up businesses in attracting and retaining key talent through equity incentives.

Planned reforms include

- Doubling the maximum EMI option value to £6m.
- Quadrupling the gross assets threshold to £120m.

- Doubling the employee limit to 500.
- Extending the maximum option term from 10 to 15 years, with scope to amend existing arrangements to benefit from the longer period.

These enhancements are likely to make EMI accessible to a wider range of mid-sized and larger growth businesses while improving long-term retention planning.

Anti-avoidance and promoter measures

The Budget contains a suite of measures aimed at promoters and facilitators of tax avoidance schemes. The focus is on strengthening disclosure, enforcement and transparency across both direct and indirect taxes.

Key elements include

- Updating the Disclosure of Tax Avoidance Schemes (DOTAS) regime.
- Updating the disclosure rules for VAT and other indirect taxes (DASVOIT).
- Introducing Universal Stop Regulations (USRs), Promoter Action Notices (PANs) and Anti-Avoidance Information Notices (AAINs).
- Publishing the names of legal and other professionals involved in facilitating avoidance.

These steps signal an ongoing policy direction of increasing pressure on avoidance scheme promoters and intermediaries, with reputational as well as financial consequences.

Other business tax announcements

The Budget also includes a range of more targeted business tax measures that may be relevant depending on sector and profile.

Notable points are

- Advance Tax Certainty Service: From July 2026, a new service will provide major investment projects with advance tax certainty, to be legislated in Finance Bill 2025–26.

- Charity VAT relief: From 1 April 2026, new VAT relief will apply to business donations of goods to charities, where the goods are distributed to those in need or used directly in delivering charitable services.
- Transfer pricing, permanent establishments and Diverted Profits Tax: From 1 January 2026, reforms will simplify the taxation of related-party transactions, non-resident companies trading in the UK and diverted profits, via Finance Bill 2025–26.
- R&D advance assurance: From spring 2026, a pilot targeted advance assurance service will help SMEs secure upfront clarity on key aspects of R&D tax relief claims.
- Creative industries and RDEC administration: From 26 November 2025, legislation will clarify the corporation tax treatment of intra-group payments relating to surrendered RDEC, Audio-Visual Expenditure Credit and Video Games Expenditure Credit.

Conclusion

Overall, the November 2025 Budget increases the tax burden on asset-based income and high-value property, while simultaneously broadening support for investment, innovation and employee ownership. Many of the measures have phased start dates and complex interactions, making timely review of personal, corporate and group structures essential.

Chadwicks can help model the impact of these changes on income, capital investment, incentive structures and cross-border arrangements, and identify practical planning opportunities before key dates take effect.

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