

Hotspot

Autumn Budget 2025 - What made it in?

ANGLO INTERNATIONAL PERSONAL FINANCIAL MANAGEMENT



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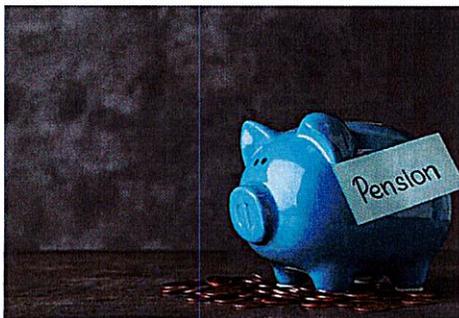
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With the Chancellor's Autumn Statement being made so late in November, there was a widely held view that all the bad news would be reduced and soon forgotten with all our preparations and activities leading up to Christmas and the New Year Celebrations.

And so, it came to pass. Here is a refresher of the main details.

What made it in?



Restricting salary sacrifice

One of the biggest policy changes for pension savers was the announcement that there will be a cap on how much of your salary you can sacrifice for pension contributions without incurring National Insurance (NI). The change won't be implemented until April 2029, giving savers time to plan.

Salary sacrifice is an agreement between you and your employer where you give up part of your cash pay in exchange for a non-cash benefit - quite often contributions into a workplace pension, but also other benefits such as leasing a car or a Cycle to Work scheme. Because your taxable income is lower, you pay less income tax and NI. Your employer also saves NI, and some employers pass those savings back into your pension.

The government has announced that, as of 2029, it is capping the maximum amount of your salary you can sacrifice for pension contributions without incurring NI to £2,000 per year. Any pension contributions above that £2,000 cap will, in future, incur both employee and employer National Insurance contributions.

NI will apply at the usual rates: 8% on salaries under £50,270 and 2% on income above that. Someone earning £40,000 and paying 5% of their salary into their pension via salary sacrifice would not face any additional NI as a result of the change because the sum sacrificed is below the £2,000 cap. However, someone earning £40,000 and paying 10% of their salary into their pension via salary sacrifice would face an additional bill of £160.

Similarly, someone earning £110,000 and putting £10,000 of that into their pension via salary sacrifice would also face an additional bill of £160 because of the lower rates of National Insurance if your earnings are above £50,270.

ISA changes

The government has also confirmed that the maximum you can contribute into a cash ISA will be cut from £20,000 per year to £12,000. This change will come in from April 2027.

- Over-65s will retain their full £20,000 cash allowance.
- The move is part of the government's ambition to encourage more people to invest their money rather than hoarding cash - hopefully delivering better returns for savers while boosting economic growth.
- The limit for investments remains intact, so you will still be able to save up to £20,000 per year into a stocks and shares ISA.



Income tax

Labour stuck to its manifesto pledge not to raise the headline rates of income tax, NI, or VAT. However, personal income tax thresholds will be frozen until 2030-31 - a tactic often referred to as a 'fiscal drag'. As wages rise over time, frozen thresholds mean more people are pulled into higher tax brackets without any formal rate increase. The move is anticipated to raise £8.3bn by the end of the period.

The thresholds are currently: £12,570 for the income tax personal allowance, £50,270 for higher-rate tax, and £125,140 for additional-rate tax.

{ Watch: [Why this is the most extreme 'fiscal drag' in UK income tax](#): 5



Increase in income tax on savings and property

The Treasury also announced a two-percentage-point increase in tax on income from savings and property. It effectively introduces new income tax rates of 22%, 42% and 47% depending on the individual's personal tax band - from April 2027.

Tax on dividends, commonly from investments outside an ISA, will also see increases - but from April 2026. The ordinary rate will rise from 8.75% to 10.75% and the upper rate will rise from 33.75% to 35.75%. The additional rate will remain unchanged at 39.35%.

Enhanced council tax on 'mansions'

- From 2028, the government will introduce a new 'high-value council tax surcharge'.
- Properties worth more than £2m will face an annual charge of between £2,500 and £7,500, depending on which of the four valuation bands they fall into.
- It will be collected along with council tax and the government will consult on options for support or deferral for those who can't pay.
- Estimates suggest there are around 150,000 households with homes worth over £2m that will be impacted by the change.
- According to the Office for Budget Responsibility (OBR), the change will raise £400mn in 2029-2030.

Restricted access to state pensions for those living abroad

The Treasury announced that it will limit the ability of those living abroad to build up UK state pensions.

It is removing access to the cheapest Class 2 voluntary NI contributions for individuals abroad and increasing the initial residency or contributions requirement for voluntary NI contributions to 10 years.



New tax on electric vehicles

- Owners of electric vehicles and plug-in hybrids face a new road charge from April 2028.
- How much you pay will depend on how much you drive. Electric cars will be taxed at 3p per mile - roughly half the rate of fuel duty paid by petrol and diesel drivers. Plug-in hybrids will be taxed at 1.5p per mile.
- The rate will increase in line with inflation from 2029-30



I would like to take this opportunity to wish you a Healthy and Prosperous New Year 2026.

Ray Jenkins

International.

Source: Our thanks to Fidelity

Budget 2025 - Key points at a glance

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