

# Budget Commentary

27 NOVEMBER 2025

**In consequence of the UK Budget of 26 November 2025, the Government announced new measures to be imposed for the next tax year and several others scheduled to take effect over the next few years.**

One of the main announcements was that National Insurance and income tax thresholds will be frozen for an extra three years beyond 2028, which will mean that more people will become higher rate taxpayers over time. By 2030-31 the proportion of taxpayers paying higher or additional rate tax is projected to reach 24%, which is an increase from 15% in 2021-22 (source 'The Times').

At present higher rate tax is paid on taxable income over £50270 pa (gross). The personal allowance of £12570 is reduced where income exceeds £100000 pa (gross) and the additional rate of tax applies on incomes of more than £125240 pa (gross).

## From April 2026

- The State Pension will rise by 4.8%, improving retirement income for pensioners. However, more pensioners are likely to become taxpayers.
- The tax breaks relating to investment into Venture Capital Trusts (VCTs) will reduce from current income tax relief at 30% to 20%. The income tax relief on Enterprise Investment Scheme (EIS) investments remains at 30%.
- The Government is set to consult on Lifetime ISA (LISA) reform in early 2026, with plans to scrap the product. At present you must be 18 or over but under 40 to open a Lifetime ISA.

## From April 2027

- A 2% increase to ordinary and upper income taxes on dividend income and all rates on savings.
- Tax charged on rental income will increase by 2%.
- Pensions will come into scope for Inheritance Tax from 6 April 2027. This measure had been announced at the November 2024 Budget and is a major change which could affect estate planning decisions. The full details of the practical application have not yet been clarified. There are no changes to the gifting rules, including the 7-year clock for potentially exempt transfers and gifts out of regular income exemptions.
- The investment (stocks and shares) ISA allowance remains at £20000 pa.
- The Cash ISA allowance will become age based from 6 April 2027 so individuals aged under 65 will only be able to invest up to £12000 pa in a Cash ISA but those aged 65 or over will still be able to invest up to £20000 pa.

## From April 2028

- Properties in England worth more than £2m face a Council Tax surcharge of £2500 to £7500 pa following a revaluation of homes in Council Tax bands F, G and H.
- Electric vehicle drivers will pay a road charge of 3p per mile, while plug-in hybrid vehicle drivers will pay 1.5p per mile, with the rates rising each year in line with inflation.

..... continued

## From April 2029

The tax-efficient 'salary sacrifice' method for pension savings into employer sponsored pension scheme will be capped at £2000 p.a. This will cap the amount that can be shielded from employer and employee National Insurance contributions by making pension contributions. However, personal income tax relief is unaffected and employer pension contributions are not subject to income tax, provided that the total of all pension contributions fall within the individual's HMRC Annual Allowance (currently £60000 pa).

## OUR VIEW

For retail investors, savers and those with significant accumulated wealth, the fear was that the Budget would be far worse, bringing far greater changes to taxation. The changes which have been announced are less onerous than they may have been, but the new restriction on 'salary sacrifice' is disappointing, as is the re-introduction of what is effectively an 'Investment Income Surcharge', last seen during the 1970s. The danger is that the rate will steadily increase.

It is difficult to see how restricting incentives to invest in Venture Capital Trusts (VCTs) will assist in delivering economic growth and it seems doubtful it will raise a material sum in revenue either. The same is true of the Council Tax surcharge on high value homes. The values of these properties are likely to be adversely affected so many business owners, who often secure business financing on such properties, may now be less inclined to accept the risk in doing so.

The next UK general election is scheduled to be held no later than Wednesday 15 August 2029 meaning further policy changes are possible in the future.

## NEXT STEPS

Greater detail may emerge over the coming weeks and months, however, if there are any areas that you wish to discuss with your Cartlidge Morland consultant, please do get in touch.

## FINANCIAL SERVICES COMPENSATION SCHEME

### INCREASE IN DEPOSIT PROTECTION LIMIT

The Prudential Regulation Authority (PRA) has confirmed that bank customers will benefit from an increase in the maximum amount they would be reimbursed if their bank, building society or credit union were to fail.

The deposit protection limit which applies to the Financial Services Compensation Scheme, will be increased to £120000 from £85000 should a bank, building society or credit union fail. The new higher limit applies from 1 December 2025.

In addition, the limit applicable to certain temporary high balance claims, for house purchase and life insurance policies for example, will increase from £1 million to £1.4 million.

**As always if you have any concerns please contact your usual  
Cartlidge Morland Partner/Director/Consultant.**



80 Coleman Street, London, EC2R 5BJ  
t: +44 (0)20 7709 5560  
e: [enquiries@cartlidgemorland.com](mailto:enquiries@cartlidgemorland.com)  
[www.cartlidgemorland.com](http://www.cartlidgemorland.com)

This material is not intended to be relied on as a forecast, research or investment advice, and is not a recommendation, offer or solution to buy or sell any securities or to adopt any investment strategy. Cartlidge Morland's current views and suggestions in this document are based on research which is obtained from a variety of sources. Whilst these sources are believed to be reliable, the information obtained cannot be guaranteed to be accurate and may be condensed or incomplete.

Cartlidge Morland is a trading name of The Cartlidge Morland Partnership, an appointed representative of Cartlidge Morland Ltd, which is authorised and regulated by the Financial Conduct Authority.