Growing together, with integrity and respect

Money Wise UK –
Technical Budget Summary
For Financial Panners

A comprehensive analysis of tax, pensions, investment, and estate-planning measures relevant to regulated financial advice.

1. Strategic Overview

The 2025 Budget continues the direction anticipated in the pre-Budget research:

- A structural shift towards taxing wealth and assets, not earned income
- Gradual tightening of long-standing reliefs (VCT, salary sacrifice, IHT, ISAs)
- Increased focus on fiscal drag through frozen thresholds
- A long-term plan to simplify or close outdated allowances
- A philosophical push towards “fairness” and redistribution

For planners, this Budget increases the importance of:

- Tax-wrapper maximisation
- Reviewing property structures and rental portfolios
- Advanced pension planning
- IHT and estate-planning audits
- Cashflow modelling updates

The following sections break down each relevant area with adviser actions.

2. Venture Capital Schemes (VCT, EIS)

Legislative Measures

- Annual investment limit for VCT/EIS companies increased:
  - £10m (standard)
  - £20m (KICs)
- Lifetime company limit: £24m / £40m
- Gross assets test rises to £30m / £35m
- VCT Income Tax Relief reduced from 30% → 20% (April 2026)

Planning Implications

- Expect significant *front-loading* of VCT demand before April 2026.
- Potential pricing pressure as providers bring forward fundraising.
- EIS retains its attractiveness, especially for Knowledge Intensive Company (KIC) investing.
- 20% relief still useful but no longer compensates for liquidity risk to the same degree.

Adviser Actions

- Review suitability for higher-earner clients wanting tax mitigation pre-2026.
- Prepare for increased client interest in EIS/KIC as alternatives.
- Communicate implications of reduced relief for future planning.

3. ISA Reform

Legislative Measures (from April 2027)

- Under-65s: £12,000 max Cash ISA allowance
- Over-65s: retain full £20,000 cash allocation
- All ISAs remain capped at £20,000 overall
- ISA limits frozen to 2031
- Lifetime ISA to be replaced via consultation in 2026

Planning Implications

- Younger savers will need to invest more, hold less cash.
- Risk-profiling and suitability reviews will need updating.
- LISA transition could cause confusion, expect guidance-issued time lags.

Adviser Actions

- Review asset allocation strategies for ISA investors.
- Prepare communications to explain new limits, especially for <65 clients.
- Track consultation for new first-time buyer ISA variant.

4. Taxation of Property, Savings & Investment Income

A) Property Income Tax (from April 2027)

- 22% basic
- 42% higher
- 47% additional

B) Dividend Income Tax (from April 2026)

- Ordinary rate: 10.75%
- Upper rate: 35.75%
- Additional remains 39.35%

C) Savings Income Tax (from April 2027)

- All bands increase by 2%

Planning Implications

- GIAs become significantly less tax-efficient.
- Rental property owners face higher ongoing tax drag, particularly leveraged portfolios.
- Directors taking dividends will face higher costs.

Adviser Actions

- Prioritise ISA and pension funding strategies.
- Consider family income smoothing, including gifting and dividend splitting.
- Review rental property cashflow modelling for affected clients.
- Evaluate corporate structures for property for higher-rate clients.

5. High-Value Property Surcharge ("Mansion Tax")

Legislative Measures (from April 2028)

- £2,500 annual surcharge for £2m–£5m properties
- £7,500 annual surcharge above £5m
- Paid by owners, not occupiers
- Fewer than 1% of properties affected

Planning Implications

- Increased running costs for high-value primary or secondary homes.
- Potential trigger for lifetime gifting or restructuring ownership.
- Possible pressure on £2m–£2.5m property valuations.

Adviser Actions

- Incorporate surcharge into long-term cashflow projections.
- Discuss equity release, downsizing or restructuring where relevant.
- Alert clients approaching the £2m threshold to potential valuation issues.

6. Salary Sacrifice for Pension Contributions

Legislative Measures (April 2029)

- Only the first £2,000 per year of salary-sacrificed employer pension contributions enjoys NIC relief.
- Employer and employee NICs apply above this.

Planning Implications

- Major impact on high earners using bonus sacrifice.
- Reduces attractiveness of sacrifice for total reward planning.
- May shift employer schemes toward Relief at Source (RAS) models.
- Expected payroll disruption for employers with large sacrifice schemes.

Adviser Actions

- Begin early review of clients making >£2,000 sacrifice contributions.
- Model the cost of switching to relief-at-source contributions.
- Discuss with employer/payroll teams any required scheme adjustments.
- Review alternative tax-efficient remuneration strategies.

7. Inheritance Tax (IHT)

A) Pension Death Benefits

Effective from April 2027

- Scheme administrators can withhold up to 50% to settle IHT where needed.
- PRs protected from clawback after HMRC clearance.

Implications:

- Stronger need for correct nomination forms.
- Consider bypass trust strategy changes.

B) Anti-Avoidance

Measures include:

- UK agricultural property held in non-UK entities treated as UK-sited.
- Charity exemptions limited to UK charities only.
- Restrictions apply from 26 November 2025 (or April 2026 depending on measure).

Implications:

- Offshore structuring becomes more heavily scrutinised.
- Internationally mobile clients should undertake trust reviews.

C) Reliefs & Freezes

- Nil-rate band & RNRB frozen to 2031.
- £1m APR/BPR allowance transferable from April 2026.
- £5m cap on trust charges for excluded-property trusts (pre-2024).

Implications:

- Fiscal drag continues—more estates fall into IHT.
- Spouse-transfer rules increase planning flexibility for farming/business estates.

D) Infected Blood Compensation

- Fully exempt from IHT, regardless of circumstances.

Implications:

- Ensure correct treatment in IHT400 and estate calculations.

8. Electric Vehicle Taxation

Electric Vehicle Excise Duty (eVED), from April 2028

- EVs charged 3p per mile
- Plug-in hybrids 1.5p per mile
- On top of standard VED

Supporting Measures

- 10-year 100% business rates relief for chargepoints
- Expensive Car Supplement threshold for EVs lifted to £50,000
- £1.3bn extended EV grant funding
- ECOS changes delayed to 2030

Planning Implications

- Total cost of EV ownership increases—affecting retirement expenditure plans.
- Company car schemes will need recalculating.

Adviser Actions

- Update cashflow plans for clients with EVs.
- Review relevant employer fleet and car-benefit advice.

9. State Pension & NICs

State Pension

- Triple Lock maintained
- 4.8% uplift planned for April 2026
- SPA review ongoing

NIC Thresholds (frozen 2028–2031)

- PT/LPL: £12,570
- UEL/UPL: £50,270
- Secondary threshold: £5,000

Planning Implications

- Fiscal drag increases effective tax rates.
- More clients drift into higher-rate tax bands.

Adviser Actions

- Revisit retirement income sequencing.
- Ensure drawdown strategies minimise avoidable higher-rate tax exposure.

10. Additional Technical Measures

Motability Scheme

- From July 2026:
    - VAT on top-up payments
    - IPT on insurance
    - Luxury car removal from scheme

Capital Allowances

- New 40% First Year Allowance (Jan 2026)
- Main rate Writing-Down Allowance falls to 14% (April 2026)

DB Pension Surpluses

- From 2027, surpluses can be paid to members (trustee and scheme rules permitting)

Local Government Pension Schemes

- SDLT relief for intra-scheme property transfers

Business Rates

- Updated from April 2026 following 2023 revaluation

11. Adviser Summary – Key Priority Areas

High Priority Reviews

- Salary sacrifice clients (>£2k p.a.)
- Rental property owners
- Clients with large GIA holdings
- High-value property owners (£2m+)
- Clients using offshore trusts or structures
- Pension death benefit nominations
- High dividend income directors/shareholders

Medium Priority

- EV owners / company car beneficiaries
- Clients engaged in EIS/VCT investing
- First-time buyers using LISAs
- Trust clients anticipating exit or ten-year charges

Low Priority (Monitoring)

- NIC changes
- Business rates
- Capital allowances impacts for small business owners

12. Conclusion

This Budget represents a tightening across many traditional tax-advantaged pathways used in financial planning.

For planners, it reinforces:

- The importance of active tax planning
- The need for robust cashflow analysis
- The role of wrappers (pensions, ISAs) in protecting long-term wealth
- The necessity of revisiting remuneration, estate planning and property strategies for affected clients

Disclaimer

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If you are advising clients, you must ensure suitability is established based on their individual circumstances, objectives, risk profile, capacity for loss, and regulatory requirements under Consumer Duty and the FCA Handbook.

Data Sources

This briefing draws on the following official publications and primary sources:

- **HM Treasury – Budget 2025: Final Print Version (PDF)**
  Including sections on taxation, pensions, ISAs, property measures, salary sacrifice, and inheritance tax reforms.
- **Office for Budget Responsibility – Economic and Fiscal Outlook (November 2025)**
  For fiscal context, inflation assumptions, and projected tax revenue impacts.
- **House of Commons Library – Budget Analysis Briefing Papers (2025)**
  For supplementary parliamentary commentary on proposed legislation and historical comparisons.
- **Chancellor's Budget Speech (AI-transcribed version provided)**
  For clarifications, nuances, and verbal commitments not always fully reflected in the written Budget documents.
- **HMRC Manuals & Upcoming Legislation Notes**
  For interpretation of pension tax relief mechanisms, salary sacrifice reforms, and IHT exemptions.

All figures, rates and policy measures cited are taken directly from these government documents and may be subject to further clarification through Finance Bill 2025–26 and subsequent secondary legislation.