OCL ACCOUNTANCY

BUSINESS NEWSLETTER

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We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

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Autumn Budget 2025: Summary of headline changes:

The Chancellor announced many changes to the tax system, with some coming into effect immediately and others in several years. What are the headline changes?

First the bad news. The income tax rates that apply to property, savings, and dividend income are going up by 2% across all bands (except the additional dividend rate). Dividends will be affected from April 2026, with the hike in property and savings tax rates coming a year later. The cash ISA allowance will be cut to £12,000 as rumoured, but the full £20,000 will still be available by ringfencing £8,000 for stocks and shares,

Pensions were thankfully largely left alone. However, the maximum amount that can escape NI charges via salary sacrifice is to be capped at £2,000 from 2029. Drivers of electric vehicles and hybrids are to be slapped with a "per-mile" levy: 3p for wholly-electric vehicles and 1.5p for hybrids.

While the Chancellor did not introduce a wealth tax, a council tax surcharge will apply to properties worth more than £2 million. The charge will range from £2,500 to £7,500, and will be payable alongside the existing council tax.

However, there was one small bit of good news, as it was confirmed that the £1 million allowance for 100% business and agricultural property relief will be transferrable after all. This means any unused allowance on the death of the first spouse (or civil partner) can be claimed in the estate of the second in a similar way as the nil rate bands.

Those are the highlights, but as ever there is much more that didn't make it into the speech. We've summarised all of the main announcements below.

We have a more detailed summary available on our website, this article simply covers the main announcements.

Stealth taxes

It will come as no surprise that the majority of thresholds will be frozen for a further three years than planned, to 6 April 2031. This includes personal income tax and equivalent national insurance thresholds, the secondary threshold for employer NI contributions.

The inheritance tax nil-rate bands are already set at current levels until April 2030 and will stay frozen at these levels for a further year until April 2031. The forthcoming combined allowance for the 100% rate of agricultural property relief and business property relief will also be fixed at £1 million for a further year until 5 April 2031.

Unusually, the threshold at which student loans under Plan 2 are repaid will be frozen for three years from 6 April 2027.

Capital allowances

The main rate writing-down allowance will be reduced from 18% to 14% from April 2026 and a new 40% first-year allowance will be introduced from 1 January 2026

Dividends

In a blow to owner-managers, dividend tax rates for basic and higher rate taxpayers will increase by 2% from 6 April 2026. If you're sitting on surplus profits now is the time to consider declaring higher dividends to take advantage of the current rates. The ordinary rate will rise from 8.75% to 10.75%, and the upper rate from 33.75% to 35.75%. The additional rate will remain unchanged at 39.35%.

Property income and savings income

Savers and landlords were not spared from the tax increases, but they do have a longer grace period. Tax on savings income will increase by 2% points across all bands. The basic rate will rise from 20% to 22%, the higher rate from 40% to 42%, and the additional rate from 45% to 47% from April 2027.

The government is creating separate tax rates for property income. These separate rates mean property income will have its own individual tax rates (as already occurs for the taxation of savings and dividend income). From April 2027, the property basic rate will be 22%, the property higher rate will be 42% and the property additional rate will be 47%. Finance cost relief will be provided at the separate property basic rate (22%).

The amount under 65's can save into a cash ISA will also be capped at £12,000 from April 2027, whilst the overall ISA allowance will remain at £20,000. This means you will need to invest in stocks and shares to get the benefit of the full ISA allowance.

Inheritance tax

Finally, something for the farmers. In respect of agricultural property relief and business property relief, any unused allowance for the 100% rate of relief to be transferable between spouses and civil partners from 6 April 2026. The unused allowance can be transferred even if one spouse died before 6 April 2026, which is a significant change to the previously announced policy.

Employees

From 6 April 2026 the deduction from income tax for non-reimbursed home working expenses will be removed. Employers can still reimburse employees for these costs where eligible without deducting Income Tax and NI.

From 6 April 2026 the income tax and NI exemption for employer-provided benefits will be extended to cover reimbursements for eye tests, home working equipment, and flu vaccinations.

The value of salary sacrificed pension contributions that can receive employee and employer NICs relief will be capped at £2,000 per year. An unpopular policy but at least it won't come in until 6 April 2029.

At Autumn Budget 2024, the government announced it would bring employee car ownership schemes into scope of the Benefit in Kind rules from 6 April 2026. Implementation will now be delayed to 6 April 2030, with transitional arrangements until April 2031.

MINIMUM WAGE RATES

The minimum hourly rates that employers must pay their employees go up from 1 April 2026. Employers must pay their employees at least these minimum rates to avoid penalties, back payments and other regulatory action.

If you have employees paid at or just above these levels, you need to ensure that birthdays, full working hours and deductions are properly captured and dealt with. Please contact us for any support with business payrolls, including the operation of minimum wage levels.

	1 April 2026 – 31 March 2027	**1 April 2025 – 31 March 2026**
National Living Wage (for employees aged 21 and over)	£12.71	£12.21
National Minimum Wage (for employees aged 18-20)	£10.85	£10.00
National Minimum Wage (for employees aged 16-17 and apprentices)	£8.00	£7.55

EMPLOYMENT TAXES

National Insurance Contributions (NICs)

NICs deducted from employee wages remain at the same levels as we head into 2026/27. This means that, for employees, no NICs are deducted on the first £12,570 of pay, then a rate of 8% applies on earnings up to £50,270, with a rate of 2% applied thereafter.

For employers, the rate of NICs will remain at 15% after the first £5,000* paid to each employee. The available employment allowance to offset this cost remains at £10,500 for eligible claimants.

**A higher threshold of £50,270 applies for employees who are under 21 and apprentices under 25. Other variations can also apply.*

Mandatory payrolling of benefits

Draft interim guidance and legislation has been issued to aid preparation for reporting BIK in real time through payroll software from April 2027. This is an extension to the original deadline of April 2026.

Employers are encouraged to prepare as early as possible to avoid disruption and minimise cost. HMRC is urging everyone not to underestimate the time it will take to ensure payroll processes are sufficiently robust.

Cars

The Expensive Car Supplement threshold for zero emission vehicles will increase to £50,000, from 1 April 2026.

A new mileage supplement for electric and plug-in hybrid cars will be introduced from 1 April 2028. Another unpopular policy that doesn't take effect for a few years.

State pensioners

Pensioners whose sole income is the basic or new state pension will not be required to pay tax via simple assessment if their state pension exceeds the personal allowance from 6 April 2027.

Mansion tax

A council tax surcharge will be introduced on owners of residential properties valued over £2 million in England from 1 April 2028, based on the 2026 values.

Capital gains tax

From 26 November 2025, capital gains tax relief on qualifying disposals to employee ownership trusts is reduced from 100% to 50%.

The government will "modernise" the anti-avoidance provisions that apply to share exchanges and company reorganisations. We have no further information on this as yet, despite it taking immediate effect.

The government will introduce a requirement for taxpayers to actively claim incorporation relief for transfers of a business to a company on or after 6 April 2026. Currently the relief applies automatically.

Share schemes

The Enterprise Management Incentives (EMI) scheme will be expanded to increase eligibility to allow scale-ups, as well as start-ups, to access the scheme from 6 April 2026. The employee limit will increase to 500, the gross assets test to £120 million, and the company share option limit to £6 million. The maximum holding period will increase to 15 years including in respect of existing EMI contracts.

The EMI notification requirement will also be removed from April 2027.

Investment incentives

From 27 November, transfers of a company's securities will be subject to relief from the 0.5% Stamp Duty Reserve Tax charge for three years from the point the company lists on a UK regulated market.

The government will increase the VCT and EIS company investment limit to £10 million (currently £1 million), and £20 million for Knowledge Intensive Companies (KICs) (currently £2 million) and increase the lifetime company investment limit to £24 million, and £40 million for KICs. The gross assets test will increase to £30 million before share issue, and £35 million after, from April 2026.

Alongside this, the VCT income tax relief will decrease to 20% (currently 30%).

VAT

A new VAT relief will be introduced from 1 April 2026 for business donations of goods to charity for distribution to those in need or use in the delivery of their charitable services.

From July 2026, vehicles leased through the Motability Scheme, or through any equivalent qualifying schemes, will be subject to 20% VAT on top-up payments which are made in addition to the transfer of eligible welfare payments for more expensive vehicles on the scheme.

Insurance Premium Tax will also be applied at the standard rate of 12% for insurance related to vehicles leased through the scheme. Tax changes will not apply to vehicles designed for, or substantially and permanently adapted for, wheelchair or stretcher users.

Non-UK residents

From 6 April 2026 the government will abolish the dividend tax credit for non-UK residents with UK income, aligning their treatment with UK residents.

The non-resident capital gains tax rules will also be amended, closing loopholes for protected companies and clarifying legislation for investors. Changes apply with immediate effect, with further administrative reforms from 6 April 2026.

From 6 April 2026 individuals living abroad will not be able to increase their entitlement to the UK state pension by making Class 2 NI contributions.

From 6 April 2026 the post departure trade profits provisions will be removed from the temporary non-residence anti-avoidance legislation so that all dividends received during a period of temporary non-residence are chargeable to UK tax.

Miscellaneous

The government will extend the temporary 5p fuel duty cut for a further five months, with the cut being reversed in three stages: 1p on 1 September 2026, 2p on 1 December 2026 and 2p on 1 March 2027. This will return rates to pre-March 2022 levels. The planned inflation increase for 2026-27 will not take place, with the government uprating fuel duty rates by Retail Prices Index from April 2027.

From 6 April 2027 income tax rules will change so that reliefs and allowances deductible at steps 2 and 3 of the income tax calculation will only be applied to property, savings and dividend income after they have been applied to other sources of income.

Corporation tax late filing penalties will be doubled from 1 April 2026.

The government is removing the customs duty relief on goods imported into the UK valued at £135 or less, making them subject to customs duty fro m March 2029 at the latest, and consulting on implementing a new set of customs arrangements for these goods.