

AUTUMN BUDGET

NOVEMBER 2025 ANALYSIS

key announcements

Income Tax and National Insurance thresholds



**frozen until
2031**

Introduction of **Mansion Tax** on homes worth over **£2m** and **£5m**



**Scrapping the
two child
benefit cap**

£2,000 cap on tax reliefs for salary sacrifice pension schemes **from 2029**



Introduction of new **UK Listing Relief** providing a **three-year exemption** on **Stamp Duty Reserve Tax** for **companies listing in the UK**



Tax and spend on the agenda as Reeves delivers 'Labour choices' in Autumn Budget



JOE COOPER
Account Director

Chancellor Rachel Reeves has set out her Autumn Budget, containing a raft of tax increases in order to meet her fiscal rules and plug the black hole in the public finances in the face of downgraded growth and productivity figures. In advance of Reeves' speech, the news that the government's fiscal watchdog, the Office for Budget Responsibility (OBR), had accidentally leaked its formal response to the Budget created a deeply unhelpful distraction for the Chancellor on one of the biggest days of her political career to date.

Much of the political narrative in the build-up focussed on whether or not the Chancellor would break the Labour Party's manifesto commitment to not increase Income Tax or National Insurance. Despite weeks of pitch rolling, rather than pulling either of these levers Reeves instead opted for a smorgasbord of tax increases, including a new Mansion Tax, new gambling levies and new taxes on rental income.

As well as freezing Income Tax and National Insurance thresholds, Reeves announced the introduction from 2029 of a £2,000 cap on tax reliefs for self-salary sacrifices into pensions while long-touted reforms to Individual Savings Accounts (ISAs) were finally delivered with the announcement that the annual ISA cash limit will be reduced to £12,000 from £20,000, with the remaining allowance available only for investments.

The cost of living was a central theme throughout her address to Parliament, with the Chancellor opting to scrap green levies on energy bills, which Reeves says will save families up to £150 per year from next year. In other cost of living-focused measures, fuel duty remains frozen for another year, while rail fares in England will also be frozen for the first time since 1996.

Reeves announced the introduction of the High Value Council Tax Surcharge – dubbed the 'Mansion Tax' – on properties over £2 million and £5 million respectively. She also confirmed significant increases in taxes for online gambling companies, while introducing a new 3p per mile tax on electric and hybrid vehicle owners.

The Chancellor confirmed an expansion of entrepreneurial investment schemes and a brand-new UK Listing Relief – a three-year exemption from Stamp Duty Reserve tax for companies listing in the UK. Changes to the Venture Capital Trust scheme were also announced, with increases to investment limits but a reduction in the headline rate of tax relief available.

A key announcement for international trade was the news that the UK will be following the lead of the US and EU to remove "de minimis" provisions which allow for parcels under the value of £135 to be imported duty-free. Aimed at tackling perceived loopholes for low value imports that are being leveraged by fast fashion giants overseas, and advocated for by high street retailers, the changes are due to come in no later than March 2029 – although with the EU already pushing to bring forward its own changes earlier to 2026 there is a possibility that implementation may come sooner. As outlined in the consultation published with the Budget, the government is seeking views on the design of the new system, which has had a significant effect on e-commerce and parcel shipments in the US where reform has already been undertaken

Throughout her speech Reeves referred to the 'Labour choices' she had taken in a clear nod to her colleagues on the backbenches. This was especially the case in one of the government's most significant political announcements to abolish the two-child benefit cap. With this being an issue so close to the hearts of many of her colleagues in the Labour Party, her decision to scrap the cap will go down well within the party and may buy the government some more breathing space with would-be rebels in her ranks. To that end, the Chancellor can regard the Budget as a job well done with Labour MPs across the board supportive of the decision to remove the cap, albeit one which the government has ultimately been forced into

While Reeves has taken the decision to avoid the political headache of explicitly breaking a key manifesto commitment on tax, her approach of raising individual pockets of tax is not without risk. Many of the taxes announced do not come into effect for a number of years, and given the modest growth forecasts and stagnant productivity, the economic situation for the Chancellor remains challenging, with the likelihood of further tax rises in another 12 months.



Markets calmed but business squeezed again by Chancellor's decisions



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This was widely seen as a high stakes Budget by business, in part due to the long lead up time and the dire fiscal and economic projections that preceded it. Given these low expectations, the final result prompted a reaction that can best be described as 'mixed'.

First the good news, the bond markets appear to be relaxed. Following the Chancellor's Statement (or, more accurately, the leaked OBR report), there was no sustained panic among investors and traders. By the end of the day, 30-year gilt yields dropped by about 11 basis points to 5.21% and 10-year gilt yields also eased, indicating no widespread expectation of a fiscal crisis or concerns about UK government borrowing.

The Chancellor will be pleased with this. She had clearly learned her lessons from last year's Budget by significantly increasing the fiscal headroom to £22 billion and adopting measures deemed to be anti-inflationary by the OBR. It is worth noting that many of the significant tax raises happen in four years' time, suggesting that her priority was demonstrate adherence to her fiscal rules (that the current budget should be on course to be in balance or surplus by 2029/30) rather than immediate revenue raising – and this seems to have worked in calming markets.

In terms of wider business confidence, the reaction was overall less positive. While JPMorgan Chase chief executive Jamie Dimon praised the Chancellor, saying her "focus on financial discipline is something that the market should welcome", other business leaders were far less positive.

One reason for this was that the Budget was incredibly uneven in terms of its impacts. Without a big revenue raiser such as a rise in income tax, the Chancellor opted for – in the words of tax expert Dan Neidle – a 'scrabble bag' of measures, which were viewed as stealth taxes or highly punitive to individual groups and distorting to the market.

The capping of salary sacrifice relief has not been welcomed by the pensions sector and arguably goes against long-term strategies on retirement. Hannah Gurga, Director General of ABI described the changes a disappointing, "especially at a time when we need to be encouraging people to save."

Other sectors have been hit hard, including high-end property, online gambling, ride hailing apps and makers of lattes and milkshakes. The effect of this is to create very visible and very angry 'losers' (adding to existing enemies the Chancellor made last year among farmers, private schools and family businesses). High employment sectors such as hospitality have also been highly critical of the way the government has added costs to business, with the latest minimum wage increase adding to the recent NI increases and the upcoming measures in the Employment Rights Bill. For instance, Kate Nicholls, chair of UKHospitality, said that "the government is trying to balance the books disproportionately on the backs of the high street" and we "now have a situation where hospitality businesses are checking their wage bills."

This points to a broader criticism of the government, that there appears to be no long-term strategy within the Budget in terms of delivering growth or reform. Despite several mentions of the word "growth" by the Chancellor, the substance of the key measures in the Budget reveal that their priorities may lie elsewhere. The OBR revealed in their report that "We have assessed that none of the policy measures in this Budget have a sufficiently material impact to justify adjusting our post-measures potential output forecast", meaning there was no measures here that fundamentally increase growth.

Indeed, the broad consensus appears to be that this was a 'tax and spend' budget, designed to appeal to Labour MPs' priorities on public spending and welfare and 'shore up' the party's soft left flank – rather than appeal to business.

