



# THE BIG BUDGET TAX CHANGES



**Taxcafe Tax Guides**

# **The Big Budget Tax Changes**

**What the November 2025 Budget Means to You!**

**By Carl Bayley BSc FCA  
and  
Nick Braun PhD**

## Important Legal Notices:

---

**Published by:**

Taxcafe UK Limited  
2.4 West Bridge Mill  
Kirkcaldy KY1 1TE

Email: [team@taxcafe.co.uk](mailto:team@taxcafe.co.uk)

Second Edition, December 2025

ISBN 978-1-917392-07-5

**Copyright** © Carl Bayley and Taxcafe UK Ltd

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise, without the prior permission in writing of Taxcafe UK Ltd, except in accordance with the provisions of the Copyright, Designs and Patents Act 1988 or under the terms of a licence issued by the Copyright Licensing Agency.

**Warning:** Any unauthorised reproduction or transmission of any part of this tax guide may result in criminal prosecution and a civil claim for damages.

**Trademarks**

Taxcafe® is a registered trademark of Taxcafe UK Limited. All other trademarks, names and logos in this tax guide may be trademarks of their respective owners.

**Disclaimer**

Before reading or relying on the content of this tax guide please read the disclaimer.

## About the Authors & Taxcafe

---

Carl Bayley is the author of a series of Taxcafe guides designed specifically for the layperson and the non-specialist. Carl's particular speciality is his ability to take the weird, complex and inexplicable world of taxation and set it out in the kind of clear, straightforward language taxpayers themselves can understand. As he often says himself, "My job is to translate 'tax' into English."

In addition to being a recognised author, Carl has often spoken on taxation on radio and television, including the BBC's *It's Your Money* programme and the *Jeremy Vine Show* on Radio 2.

A chartered accountant by training, Carl is a former chairman of the Tax Faculty of the Institute of Chartered Accountants in England and Wales. In 2023, he stepped down after almost twenty years on the institute's governing council.

Nick Braun founded Taxcafe.co.uk in 1999, along with his partner, Aileen Smith. As the driving force behind the company, their aim is to provide affordable plain-English tax information for private individuals and investors, business owners, accountants and other advisers.

Since then Taxcafe has become one of the best-known tax publishers in the UK and has won several business awards.

Nick has been involved in the tax publishing world since 1989 as a writer, editor and publisher. He holds a doctorate in economics from the University of Glasgow, where he was awarded the prestigious William Glen Scholarship and later became a Research Fellow. Prior to that, he graduated with distinction from the University of South Africa, the country's oldest university, earning the highest results in economics in the university's history.

## Contents

---

Introduction	1
Scope of this Guide	6
Chapter 1 – Income Tax and National Insurance	9
Chapter 2 – Property Income	19
Chapter 3 – Savings Income	23
Chapter 4 – Dividend Income	25
Chapter 5 – Multiple Income Sources	27
Chapter 6 – Additional Tax Charges & Quirks to Watch Out For	34
Chapter 7 – Corporation Tax	41
Chapter 8 – The Income Tax Freeze	44
Chapter 9 – The Dividend Tax Increase	56
Chapter 10 – Salary versus Dividends 2026/27 and Beyond: The Basics	62
Chapter 11 – Salary versus Dividends 2026/27 and Beyond: Other Factors	74
Chapter 12 – Business Incorporation: Trading Businesses	83
Chapter 13 – The Incorporation Process	96
Chapter 14 – Business Incorporation: Property Businesses	99
Chapter 15 – Capital Allowances	107
Chapter 16 – Employee Ownership Trusts	113
Chapter 17 – Salary Sacrifice Pensions	116
Chapter 18 – Pension Tax Relief for Landlords and Savers	121
Chapter 19 – Individual Savings Accounts (ISAs)	123
Chapter 20 – Venture Capital Trusts (VCTs)	131
Chapter 21 – The Mansion Tax	133
Chapter 22 – The Inheritance Tax Ice Age	135

Chapter 23 – Business and Agricultural Property Relief	138
Chapter 24 – Pensions and Inheritance Tax	143
Chapter 25 – Changes That Didn’t Happen (Yet)	148
Chapter 26 – Other Recent Tax Changes	149
Chapter 27 – Bayley & Braun’s Newsround	152
Appendix A – UK Tax Rates and Allowances 2025/26 to 2027/28	157
Appendix B – Connected Persons	158
Appendix C – Abbreviations Used in This Guide	159

## Introduction

---

At Taxcafe, we don't think tax in itself is a bad thing. After all, tax is what pays for the public services we all rely on.

However, we do think that paying more than your fair share or being hit by sudden, unjustified tax increases *are* bad things. And this is where our tax guides come in, because using legitimate, reasonable planning techniques to reduce your tax burden, and understanding what you are legitimately entitled to claim will ensure you do not pay more than your fair share.

Another essential step in making sure you do not pay more than your fair share is understanding what has changed, and what is about to change. And that's why we have produced this guide, which is all about just that: change.

Throughout this guide, our aim is to inform you of the key tax changes that have either recently taken place, or are due to take place soon. We will guide you through the implications of these changes, and how you can plan for them.

Where it's a proposed future change we're dealing with, we'll have a look at the action you can take to mitigate its impact and make the most of the current rules while they still apply.

We'll also look beyond the changes, to see what tax planning opportunities will open up in the future, after the change, or during any transitional period.

We start off in Chapter 1, with an update on the current personal tax framework (Income Tax and National Insurance) for employees, self-employed business owners, and those receiving pension income.

In Chapters 2 to 4, we look at property income, savings income, and dividends respectively. Each of these sources of income will be subject to tax increases following the November 2025 Budget and we look at the impact of these increases.

Chapter 5 then explains what happens if you have multiple sources of income, and how the way this currently works will be changing from 6<sup>th</sup> April 2027 to help HMRC take even more of your hard-earned cash from you.

Completing the personal tax landscape, in Chapter 6, we look at two additional tax charges: the Child Benefit Charge, and new for 2025/26, the clawback of winter fuel payments from older taxpayers who dare to have too much income (despite how much the Government encourages us to save for our retirement). This chapter also includes a few warnings and helpful tips to help you navigate some of the tax system's quirks.

Chapter 7 looks at the Corporation Tax framework, which underwent some radical changes in April 2023. Not much has changed since then, but we look at a few new measures announced in the November 2025 Budget, as well as giving some thought to what the future may hold for company taxation.

In Chapter 8, we return to personal tax and look at the impact of the ten-year freeze to the main Income Tax thresholds, now extended to 5<sup>th</sup> April 2031. We also look at some of the techniques you can use to mitigate the effects of the freeze.

The increase in dividend tax rates from 6<sup>th</sup> April 2026 has several important tax planning implications. We start our look at these in Chapter 9, when we look at the planning small company owners can do in the current, 2025/26 tax year, to avoid some of the effects of the increase.

In Chapters 10 and 11, we then look at the longer-term position for small company owners looking to extract profits from their companies as tax efficiently as possible in 2026/27 and beyond.

The increase in dividend tax rates is just the latest of many changes affecting the question of whether it is worth transferring an existing sole trader or partnership business into a company (known as a business incorporation), or whether it is worth using a company for a new business. We look at all the issues and the many possible variations and factors to consider in Chapter 12.

Even the process of transferring a business into a company is changing after the Budget, so we look at how that process works, and what is changing, in Chapter 13.

Incorporating a property business will often be more difficult and expensive than incorporating a trading business but can lead to significant annual tax savings in the right circumstances, and these will increase from 6<sup>th</sup> April 2027, due to the increase in



Income Tax rates on property income. In Chapter 14, we look at both the process of incorporating a property business and the potential annual tax savings.

Chapter 15 looks at some changes to capital allowances: the allowances that provide businesses with tax relief for spending on assets like cars, vans, machinery, equipment, and sometimes even property. There's good news for leasing businesses (plant hire businesses, etc), and business owners looking to buy new electric cars, but otherwise the changes are mostly either irrelevant or bad.

In Chapter 16, we look at a measure that came into effect immediately on Budget day: the reduction in Capital Gains Tax relief on sales of shares to an employee ownership trust. A worked example shows the relief can still save a substantial amount of tax, but this change also has some practical implications that the Government clearly hasn't thought through yet, and we can only hope these are soon sorted out.

Next, we move on to pensions and investments, starting in Chapter 17 with salary sacrifice pensions, which are to be hit with national insurance from April 2029. We take a detailed look at the impact of this change. There's better news for some other salary sacrifice schemes, regular employer pension contributions, and small company owners.

Landlords and individuals with substantial savings income might be expecting to get more tax relief for their pension contributions (and gift aid donations) when the Income Tax rates on their income increase from 6<sup>th</sup> April 2027. In Chapter 18 we explain why, sadly, this is not the case.

Cash ISA subscriptions are about to be restricted, Lifetime ISAs are under threat, and all other ISA subscription limits have been frozen until 2031. We look at all the changes and how to plan for them in Chapter 19.

The continuing freeze to the main ISA subscription limit might make you look at Venture Capital Trusts (VCTs). These were changed in the Budget too, with a nasty reduction in Income Tax relief for VCT investments from 6<sup>th</sup> April 2026. We give you the lowdown on VCTs in Chapter 20.

The new Mansion Tax hit the headlines before the Budget when the proposals for the tax were leaked to the media. Well, she went ahead and did it. We look at the new tax, who it will affect, and how much it will cost, in Chapter 21. We even tell you what its official name is.

From one tax on wealth to another: next, we begin our review of the despicable, much-hated, graverobber's tax. We are, of course, talking about Inheritance Tax. In Chapter 22, we start by looking at the generation-spanning, 22-year freeze in the nil rate band, and other freezes to important Inheritance Tax bands and allowances all applying until 5<sup>th</sup> April 2031. The cost to some families of this fiscal ice age will be phenomenal and we show just how much that is.

Everyone has heard about Rachel Reeves' dreadful attack on farmers last year. Not everyone realises this awful restriction in Inheritance Tax relief applies to other business owners too. In Chapter 23, we look at just how bad the damage is. The November 2025 Budget has eased the pain a little, as we will see, but the consequences are still pretty dire.

Dire consequences await pension savers and their families too. In Chapter 24, we look at the Government's latest plans for charging Inheritance Tax on pension funds. Not only is there going to be a lot of tax to pay, but the admin is a nightmare. We guide you through the latest proposals, but we wouldn't be surprised if there are more changes to come.

Sometimes it's just as important to look at what didn't happen, as it is to look at what did. With all the confusion, speculation, rumours, and leaks that preceded the Budget, we thought it was worth including a chapter to reassure you what *hasn't* changed, at least not yet: turn to Chapter 25 for our summary.

Budgets don't happen in isolation, they build on previous changes, previous announcements, and the existing tax framework. In Chapter 26, we look at some of the most important recent tax changes to help put the Budget 2025 changes in context.

Finally, we wrap up in Chapter 27, with *Bayley & Braun's Newsround*: a brief tour through some other announcements included in the Budget that didn't warrant a chapter of their own.

Forewarned is forearmed, it is said, and, taken as a whole, that's what this guide does: warns you what is happening, tells you what it means, and arms you with the knowledge you need to be ready for change, make the most of the opportunities it provides, and avoid the pitfalls coming your way.

No-one can see into the future, but we can give you a torch to light the way.

If you have enjoyed reading the first few pages of this publication, please

**CLICK HERE**

to add the **PRINTED BOOK** to your shopping cart at

**£29.99**

(+ £2.99 POSTAGE)

You will also receive a FREE PDF copy so you can read the entire book just seconds after placing your order!

If you prefer to buy just the eBook version, please

**CLICK HERE**

to add the **EBOOK** (PDF format) to your shopping cart at

**£24.99**