State of Play

Autumn Budget 2025

26 November 2025

Today Rachel Reeves delivered the 2025 Budget for the UK, setting out new plans for taxes, benefits, and public spending. The overall market reaction has been cautious but not panicked. The full impact however may take days as investors digest details on tax hikes, spending plans, and growth forecasts.

More tax revenue – but not through headline rate rises

Rather than increasing basic income tax rates, the Budget freezes income-tax thresholds until 2030 – 2031. As wages rise, more people will move into higher tax bands, a so-called 'stealth tax.'

Taxes on dividends and pension-salary sacrifice schemes will go up.

A new 'mansion tax' is being introduced: properties worth over £2 million (in England and Wales) will face a new surcharge or levy.

What this means: More people will pay higher tax rates over time. Dividend tax hikes and tighter pension-salary sacrifice rules make investing and retirement planning less tax-efficient. The new mansion tax adds a significant cost for homes over £2 million, impacting high-value property markets.

Support for households, working people & benefits

The 'two-child cap' on welfare benefits will be scrapped, meaning larger families may receive increased support.

Minimum wage and living wage rates will rise: from April 2026, the adult rate will move from £12.21 to £12.71 per hour – helping lower-paid workers.

What this means: For many, especially families and lower-income households, this could ease some cost pressures in the months ahead.

Some help with cost-of-living

The government plans modest support for energy bills and cost-of-living pressure relief, though this is being balanced against higher taxation overall.

On the downside: with 'fiscal drag' (i.e., frozen thresholds), moderate wage growth could push more people into higher tax bands even if rates stay the same.

What this means: While there are supportive measures – especially for lower earners – many households may still see reduced disposable income over time.

Tax-free cash ISA allowance cut to £12,000

The overall ISA allowance stays at £20,000, however, £8,000 of that must now go into investments (e.g., stocks and shares ISAs).

This means the cash ISA limit drops to £12,000 for most savers. Although, over-65s keep the full £20,000 cash allowance.

Alternatively, you can still invest up to £20,000 in a stocks and shares ISA.

What this means: You'll still have the same total tax-free allowance, but from April 2027, part of it must be invested rather than held in cash. If you're under 65, you can only put up to £12,000 in a cash ISA, so you may want to explore investment options for the remaining £8,000. Banks, product providers and investment platforms will offer new online hubs and guidance to help you make informed choices.

New pay-per-mile charge introduced for electric and hybrid vehicles

The drivers of electric vehicles as well as hybrids will now be subject to a new pay-per-mile charge, which will amount to 3p per mile for electric cars and 1.5p for plug-in hybrids.

What this means: If you drive an electric vehicle, the average driver, doing 7,000 miles a year, would face an annual cost of £210.

To summarise

The overall aim of the Budget is to bring more stability: the government plans to plug some of the fiscal shortfall without resorting to headline tax hikes.

For savers, investors and mortgage-holders: changes in taxation on dividends, pensions or high-value property may affect investment returns, pension income, and long-term wealth.

Details on the budget have been sourced from Gov.uk, 26 November 2025.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing here.

Important Information