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What the Autumn Budget 2025 really meant for private company owners

Private company owners entered 2025 braced for significant tax reform. While the Autumn Budget proved more measured than many expected, it reinforced several longer-term trends that business owners cannot afford to ignore. Nji Lorimer, Head of Wealth Planning at UBP UK, reflects on what the Budget means in practice and where owner-managers should now focus their attention.

The Autumn Budget, delivered by Chancellor Rachel Reeves in late November, was widely expected to usher in major changes to the taxation of wealth and business ownership. In the event, it was more measured. There was no wealth tax, no change to capital gains tax rates and no reform of tax-free cash or gifting rules. Even so, the direction of travel is clear. The government is applying steady pressure through fiscal drag, as frozen thresholds pull more income into higher tax bands, alongside a gradual narrowing of the tax advantages attached to income from investments and assets. **For private company owners, the impact is more cumulative than immediate, but no less important**.

Income tax and fiscal drag

Income tax and National Insurance ("NI") rates remain unchanged, but the freeze on personal tax thresholds and the employer NI secondary threshold has been extended to April 2031. As earnings rise, more income will be taxed at higher rates over time.

For owner-managers, this reinforces the need to keep salary levels and how profits are taken out of the business under review, rather than letting things drift.

Dividends, investment and property income

From April 2026, dividend tax rates will rise by 2% for basic and higher-rate taxpayers. From April 2027, income tax on savings and rental income will also rise by 2% across all tax bands.

The rationale here is that income from these sources does not attract NI, therefore this tax rise is an attempt to equalise tax on assets with that on earnings. The practical effect is that **dividends and investment income are becoming less tax-efficient**. Business owners who rely on dividends may wish to consider whether their current approach will still make sense over the medium term. In the short term, individuals may wish to discuss plans with their tax adviser. For example, the adviser may suggest bringing forward any large dividends to take before 6 April 2026.

Income from property rental will also attract a further 2% on top of standard income tax rates. Coupled with other changes in recent years for landlords in both legal and tax terms, rising interest rates and a slower property market, **property becomes less and less attractive from an investment perspective**.

Additionally, a new council tax surcharge will apply from April 2028 to residential properties valued at £2 million or more, rising with property value and inflation.

Pensions and future NI limits

From April 2029, NI relief on salary sacrifice pension contributions will be capped at £2,000 per person per tax year. Income tax relief and overall contribution limits remain unchanged.

This reduces the efficiency of large salary sacrifice arrangements and strengthens the case for viewing pensions and Individual Savings Accounts (ISAs) as complementary, rather than competing, tools.

Inheritance tax and succession planning

The inheritance tax nil-rate band remains frozen at £325,000 until April 2031. While this further freeze is disappointing, drawing more estates and individuals into the inheritance tax net and likely increasing inheritance tax receipts, the more feared and radical changes did not materialise.

More positively, the combined Agricultural Property Relief and Business Property Relief allowance will now be 100% transferable between spouses or civil partners from April 2026, even where the first death occurred earlier. In welcome pre-Christmas news, the government has announced that the allowance will be increased to £2.5 million per person. **For business owners thinking about succession, these are meaningful improvements to be factored into estate planning**.

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Although capital gains tax rates were unchanged, **exit planning remains an important consideration**. Business owners considering a sale or succession over the next few years may want to revisit timing and structure, particularly in light of recent changes to reliefs around employee ownership trusts, which had previously benefited from 100% capital gains tax relief. From 26 November 2025, this was reduced to 50% relief.

Tax on other investments

From April 2027, the Cash ISA allowance will be capped at £12,000 per year for savers under 65, with the remainder of the £20,000 allowance directed towards investment ISAs.

Privately held businesses looking for capital could be severely hit by the changes to income tax relief on Venture Capital Trust (VCT) investments. The relief for investors will fall from 30% to 20% from April 2026, although investment limits for Knowledge Intensive Companies will increase in relation to both VCTs and Enterprise Investment Schemes (EIS) from the same date. EIS tax reliefs have been held at existing levels, but as a point of interest, rising interest rates have already seen a reduction in capital being raised by some such companies.

Taken together, these changes reinforce the need for business owners to think more deliberately about where wealth is held and how different savings and investment vehicles are used over time, rather than relying too heavily on any single tax-efficient wrapper.

Capital allowances and other points of interest

There were a few announcements relating to capital allowances for plant and machinery, such as:

- A change to writing down allowances from 18% to 14%. This applies to both income tax (from 6 April 2026) and corporation tax (from 1 April 2026).
- The 100% first year allowance for zero emission vehicles and electric vehicle charge points will be extended until 31 March 2027 for corporation tax and 5 April 2027 for income tax.
- **From 1 January 2026, a permanent 40% first year allowance will be introduced for expenditure on main rate plant and machinery**. This applies to capital expenditure on assets for leasing and for unincorporated businesses, previously excluded from the more generous full expensing allowances. Cars, second-hand assets and assets for leasing overseas will not be eligible.

The headline rate of Corporation Tax will be capped at 25% for the duration of this Parliament.

In terms of VAT, **business owners will need to issue invoices in a specific new electronic format from 2029**. Further details are expected in 2026.

The bigger picture

This Budget does not demand urgent action, but it does reinforce longer-term themes. Income from investments and assets is under increasing scrutiny, tax thresholds remain frozen and **the value of early, joined-up planning is growing**.

For private company owners, the message is a simple one. **The earlier you review how business, personal and family decisions connect, the more options you retain**.

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