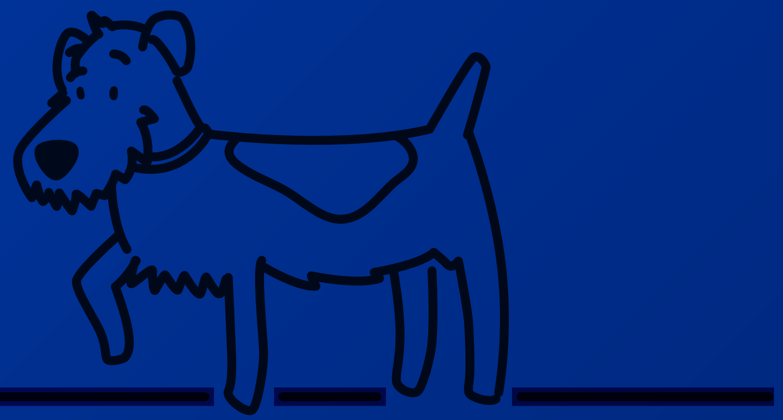
Salary Finance

The 2025 Autumn Budget

What does it mean for you?



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The 2025 Autumn Budget

The Autumn Budget can be overwhelming, full of financial jargon and tax-speak.

We've created this overview of the measures announced on 26 November 2025 that are most relevant to you and your family's finances. We also remind you of other reforms (from the Spring Statement and other announcements) that are due to come into effect.

The UK economy: What's ahead?
Alongside the Autumn Budget, the Office for Budget Responsibility (OBR) published updated forecasts on the UK's economic outlook.

The OBR expects the UK economy to grow a bit faster than previously thought – around 1.5% in 2025, and to keep growing at a steady pace after that. Inflation (the change in prices over time) is also predicted to fall from 3.5% this year to the government's 2% target by 2027. This means prices should rise more slowly over time, easing pressure on household budgets over the next few years. But the cost of living will still be difficult for many people in the short-term.

Earnings

Increase in National Living Wage

From April 2026, the minimum wage for over-21s will rise from £12.21 to £12.71 per hour. This represents an increase of £900 to the gross annual earnings of a full-time worker on the National Living Wage. Around 2.4 million workers are expected to benefit from this increase.

Increase in National Minimum Wage

From April 2026, the National Minimum Wage will increase from £10 to £10.85 per hour for 18-20 year olds and from £7.55 to £8.00 per hour for 16-17 year olds and apprentices.

National Insurance Contributions

Thresholds will remain frozen until April 2031. National Insurance is a tax paid by employees and employers that helps fund state benefits such as the State Pension and other public services.

Income tax

Tax rates for the different income bands remain at 20%, 40% and 45%, and the personal allowance (which determines how much income is tax-free) stays frozen at £12,570 per year until April 2031. This means a larger portion of future pay rises will be taxed.

For example,

- Earning £35,000 → you could pay around £300 extra in tax per year
- Earning £50,000 → you could pay around £1,000 extra in tax per year
- Earning £80,000 → you could pay around £1,600 extra in tax per year.

Note: In Scotland, the tax rate bands are slightly different and are set separately by the Scottish Government. You can find those **here**. The Personal Allowance is the same, £12,570, and will also be frozen until April 2031.

Earnings

Student loan repayments

From April 2027, the Plan 2 repayment threshold will be frozen at £29,385 for three years (Plan 2 loans are the type held by English students who started university between 2012 and 2022).

This does not increase the level of debt, but will mean higher repayments as earnings grow.

Suggested actions

If you are on National Minimum Wage or National Living Wage, review your payslip in April 2026 to ensure it reflects the increase.

You can check how your take-home pay will be impacted by any change in your earnings by visiting **thesalarycalculator.co.uk**.

Check your payslip to see what Student Loan Plan you are in, or log in **here** to check and manage your loan.

Pensions

State Pension

From 6th April 2026, the amount of State Pension you receive from the government will go up by 4.8%. The full new State Pension will increase from £11,973 this year to £12,547.60 next year.

With the personal allowance (the amount of income you can receive tax-free) frozen at £12,570 until at least April 2031, more pensioners may find themselves paying income tax.

Salary Sacrifice

Salary sacrifice is when you agree to give up part of your pre-tax salary and your employer pays that amount directly into your pension instead.

This currently saves both you and your employer some National Insurance payments. From April 2029, pension contributions made through salary sacrifice will only be free of National Insurance (NI) on the first £2,000 a year. Under the new rules, you can still use salary sacrifice, but only the first £2,000 each year will continue to receive the NI saving.

Any pension contributions above that amount (via salary sacrifice) will have normal NI charged for both employees and employers. The change mainly affects higher earners as around three-quarters of basic-rate taxpayers using salary sacrifice will not be affected. If you contribute 5% of your salary via salary sacrifice and earn £40,000 or less, your salary-sacrifice pension contributions will remain within the £2,000 NI-free limit, so you won't be affected by the change.

The full tax relief on pension contributions remains unchanged.

Tax-free pension lump sum

Currently, you can take up to 25% of your pension pot as a tax-free lump sum when you reach age 55 (rising to 57 in 2028), capped at £268,275. This is not changing.

Reminder: Changes were announced in the Autumn Budget 2024 to make unspent pension pots pensions subject to Inheritance Tax from April 2027.

Pensions

Pensions are still a great way to save

Tax-friendly
Pensions are very tax-efficient, which means they help save on tax.

Tax relief on contributions
Every pound you put into your pension gets income tax relief at your highest rate. For example:

- Basic rate taxpayers get 20% relief
- Higher rate taxpayers get 40% relief
- Additional rate taxpayers get 45% relief

Helps reduce tax charges

- **For Parents**
  If you earn over £60,000 and get Child Benefit, pension contributions can lower your income to help reduce or avoid the High Income Child Benefit Charge.
- **For Higher earners**
  If you earn over £100,000, pension contributions can help you reclaim your Personal Allowance and keep access to tax-free childcare.

Annual contribution limit
There's no cap on how much you can build up in your pension fund over your lifetime.

However, there is an annual contribution limit of £60,000 for most people. If you want to put in more, you may be able to use unused allowance from the last three years.

Pensions

Suggested actions

Check your entitlement to **State Pension** and identify any gaps in National Insurance contributions.

If you use salary sacrifice, consider maximising your pension contributions before April 2029 while the full National Insurance saving still applies, and review your contribution levels ahead of the change to ensure you're making the most of the £2,000 NI-free allowance going forward.

Remember, even after this change, your tax relief on pension contributions is unchanged, and you can still make large contributions if you choose to.

From 2029, you can continue using salary sacrifice up to the £2,000 limit (as it still saves NI) and you can make additional normal pension contributions to still benefit from full tax relief. Speak to HR, payroll or your pension provider to understand what works best for you and if you need to update your pension instructions.

If you have children and either parent earns between £60,000 – £80,000 or over £100,000, investigate whether additional pension contributions could help you regain child benefit and free childcare.

Ensure that you have completed a pension death benefit nomination, to ensure that the pension trustees are aware of your preferred beneficiaries. This will ensure your dependents receive the benefits quickly in the event of your death.

If you are over 50 years old, check out the free **Pension Wise** guidance service.

Seek financial advice to understand how unspent pension pots may impact your estate and Inheritance Tax planning from April 2027.

Saving and investing

Individual Savings Accounts (ISAs)

ISAs continue to provide tax-free income and gains. The current annual allowance for Cash and Stocks & Shares ISAs is £20,000. From April 2027, the amount under-65s can put into Cash ISAs specifically will be capped at £12,000 a year. This change will only apply to new contributions after April 2027. From April 2027, ISA limits will be:

- £20,000 for Stocks & Shares ISAs
- £12,000 for Cash ISAs (within the £20,000 overall annual ISA limit)
- £4,000 for Lifetime ISAs (within the £20,000 overall annual ISA limit)
- £9,000 for Junior ISAs and Child Trust Funds

Remember: The £20,000 annual ISA limit applies across all your adult ISAs combined, so any money you put into a Cash ISA or Lifetime ISA counts towards the same £20,000 total.

Non-ISA savings accounts

There was no change to the Personal Savings Allowance. This is the amount of interest one can earn tax-free currently and is set at £1,000 for basic-rate taxpayers (or £500 for higher-rate taxpayers). People earning less than £17,570 from employment and/or pension income will continue to be able to receive up to £5,000 of savings income tax-free each tax year.

Saving and investing

Savings income

Over 90% of taxpayers do not pay tax on their income from savings, as most people do not earn enough interest on their savings to exceed their Personal Savings Allowance.

For those that do, from April 2027, the rate will be increased by 2% across all income bands.

Changes to tax on income from savings from April 2027

Tax band	Current	From April 2027
Basic rate taxpayers (after £1,000 personal savings allowance)	20%	22%
Higher-rate taxpayers (after £500 personal savings allowance)	40%	42%
Additional-rate taxpayers (no personal savings allowance)	45%	47%

Dividend income

Dividends are payments a company gives to its shareholders as a share of its profits. The income tax that is applied to dividends will increase by 2% from April 2026.

This will affect basic-rate and higher-rate taxpayers who receive any income from dividends.

Changes to dividend tax rates from April 2026

	2025–2026	2026–2027
Dividend tax-free allowance	£500	£500
Basic rate taxpayers	8.75%	10.75%
Higher-rate taxpayers	33.75%	35.75%
Additional-rate taxpayers	39.35%	39.35%

Saving and investing

Help to Save account (HtS)

The Help to Save account offers working people who receive Universal Credit (UC) the ability to save between £1 and £50 per month for up to 4 years and receive a tax-free bonus of 50% of the amount saved.

It was announced in the Autumn Budget that the Help to Save scheme will be extended beyond 2027 and, from April 2028, it will be expanded to include all Universal Credit claimants who receive the child element, the caring element or both. This will help eligible households save regularly and strengthen their financial stability.

Venture Capital Trusts (VCT)

A VCT is a high-risk investment fund that puts money into small, early-stage UK companies in return for tax benefits. From 6 April 2026, the income-tax relief rate for investments into VCTs will drop from 30% to 20%.

Alongside this cut, the investment limits and eligibility thresholds were also increased. This means larger or more mature companies can now qualify, potentially giving more investment opportunities.

Suggested actions

Watch **this** Salary Finance livestream for practical savings tips and an overview of different types of savings accounts, including ISAs.

If your employer offers the **Salary Finance Save** solution, consider whether a salary deducted savings account would make it easier for you to build up savings.

If you qualify, think about opening a Help to Save account. You can open an account via Salary Finance (check if it is offered through your employer **here**) or directly with **HMRC**.

Financial support and state benefits

Working age benefits increased

Working age benefits, such as Personal Independence Payments, Jobseekers Allowance, Child Benefit and others, will increase by 3.8% from April 2026.

Personal Independence Payment (PIP)

PIP is money for people who have extra care or mobility needs as a result of a disability. In the Budget, the government launched a review of the PIP. They also announced operational improvements by extending PIPt award review periods and increasing face-to-face health assessments.

Child Element in Universal Credit (UC)

From April 2026, the two-child limit on UC will be scrapped. This means families can claim the child element of Universal Credit for every child, not just the first two. The OBR estimates this will increase benefits for 560,000 families by an average of £5,310 per year, lifting 450,000 children out of child poverty.

Universal Credit (UC)

- From April 2026, the Standard Allowance (the basic amount of UC all eligible households receive) will increase by over 6%.
- The £2,500 surplus earnings threshold will be extended until April 2027. This ensures people whose income goes up temporarily won't be blocked from getting UC again if their earnings fall.
- The maximum amount that can be reimbursed for childcare costs for eligible UC claimants will increase by £736.06 for each additional child above the current maximum cap for two children.

Financial support and state benefits

Suggested actions

Use Salary Finance's **Better Off Calculator** to help you easily identify if you are missing out on valuable financial support, which could help with living expenses.

Make sure you are aware of employee benefits available to you, including **Salary Finance**. You may also have access to discounts or other benefits from your employer that can help your money go further.

Check out your employer's Employee Assistance Plan and other sources of free guidance and help on money matters like **Citizens Advice** and **StepChange**.

Household bills

Energy bills

From April 2026, the government is removing some costs from household energy bills, saving a typical household around £150 next year.

Warm Homes Plan

The government will provide an additional £1.5 billion to the **Warm Homes Plan**, providing grants or subsidies for home energy-efficiency and heating upgrades.

Warm Home Discount

The **Warm Home Discount** has been expanded, meaning 6 million eligible households will receive a one-off payment of £150 off their energy bills this winter. It is available to low-income households on certain means-tested benefits and, in most cases, is applied automatically if you qualify.

Prescription charges

From April 2026, the cost of a single NHS prescription in England will be frozen at £9.90 (they remain free in Wales, Scotland and Northern Ireland). Women will be able to access the morning-after pill free of charge in pharmacies across England.

Suggested actions

Keep an eye on your energy bills from April 2026 to see if you benefit from the £150 average savings announced in the Budget. Speak to your provider if you have any questions about how it might impact your account.

Use Salary Finance's **Better Off Calculator** to help you easily identify if you are missing out on valuable financial support, which could help with living expenses.

Watch **this** Salary Finance livestream for lots of tips on reducing energy usage and saving on your household bills.

Transport

Vehicle-related taxes are made up of two parts: a tax on using the vehicle (fuel duty) and a tax on owning it (annual Vehicle Excise Duty, or VED).

Fuel duty

In 2022, the government introduced a 5p fuel duty cut as a temporary measure to help households cope with rapidly rising fuel prices. It has been extended multiple times. The 5p fuel duty cut has been extended again until the end of August 2026, and the planned increase in line with inflation for 2026-27 has been cancelled. The cut will then be reversed in three stages: 1p on 1 September 2026, 2p on 1 December 2026 and 2p on 1 March 2027. The government also plans to launch the Fuel Finder next year, allowing drivers to compare fuel costs. These combined actions are set to save households with a car £89 in 2026.

Electric Vehicle Excise Duty (eVED)

From April 2028, drivers of electric and plug-in hybrid cars will start paying a new mileage-based charge, in addition to standard Vehicle Excise Duty (VED). The government has confirmed that drivers will not have to install trackers or report where and when they drive, although the exact method for recording mileage and calculating the charge has not yet been announced. The current estimate is that most electric car drivers will pay around £240 per year (£20 per month) on average, with plug-in hybrids expected to pay less. Other vehicle types, such as vans, buses, motorcycles, coaches and HGVs, will not be included in eVED.

Rail fares

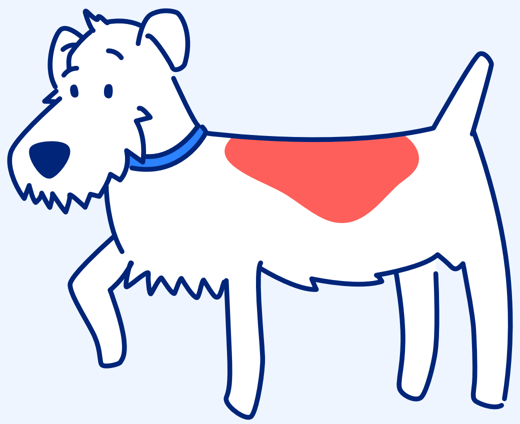
Regulated rail fares for journeys in England have been frozen from March 2026. This will apply to season tickets, peak return and off-peak return fares between major cities and will save commuters on the more expensive routes more than £300 per year.

Bus fares

The government previously announced the extension of the £3 bus cap to March 2027. This means no single bus journey should cost more than £3, covering 5,000 bus routes.

Taxi tax

From January 2026, ride-hailing apps like Uber and Bolt and private-hire vehicle operators will be required to pay 20% VAT on the full fare rather than just their profits. This may lead to higher prices for passengers.



Transport

Suggested actions

Use price-comparison tools like the new Fuel Finder (coming in 2026) and existing apps to find the cheapest local fuel, or consider car pooling. Small differences add up quickly.

The freeze on rail and bus fares is good news. Still consider railcards and planning travel ahead to get the best deals, including exploring alternative forms of transport like cycling or park-and-rides.

Check workplace benefits like cycle-to-work schemes.

If you are expecting to save on commuter costs next year, can you redirect this money into a savings account or towards another savings goal that matters to you?

Housing

Rental income

Tax charged on rental income will increase by 2% from April 2027. The rates will rise to 22% for basic-rate taxpayers, 42% for higher-rate taxpayers, and 47% for additional-rate taxpayers. This change will apply in England, Wales and Northern Ireland. As a result, some tenants may see rent increases if landlords choose to pass on the higher tax costs.

Renters Rights Acts

Announced separately to the Autumn Budget, the **Renters' Rights Act 2025** empowers tenants to appeal excessive above-market rents and abolishes 'Section 21' evictions (which allows a landlord to evict a tenant without giving a reason, once the fixed-term tenancy has ended), giving renters greater security and stability.

Housing

High Value Council Tax Surcharge (HVCTS)

From April 2028, a new tax will be introduced in England on owners of residential properties over £2m, in addition to existing council tax rates.

The additional extra annual cost will be £2,500 on properties worth £2 million or more and will progressively increase up to £7,500 on properties over £5 million. Fewer than 1% of residential properties will be impacted and the revenue will be used to fund local services.

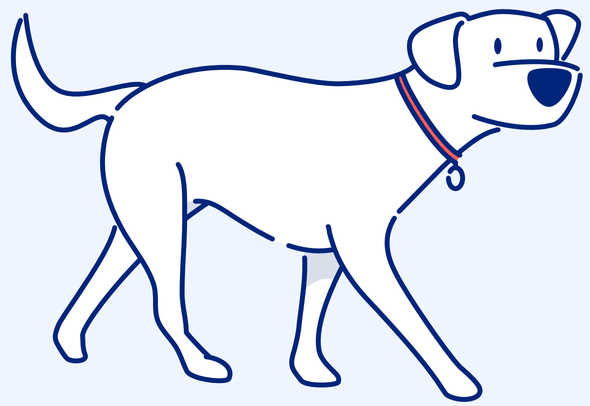
Lifetime ISA

The government will publish a consultation in early 2026 on the implementation of a new, simpler ISA product to support first time buyers to buy a home.

Currently, a Lifetime ISA allows savers to receive a government bonus of 25% on contributions of up to £4,000 each tax year, which can be used to help purchase their first home (up to £450,000 with a mortgage) or to support retirement from age 60.

Stamp Duty

No changes to Stamp Duty were announced. Stamp Duty is a tax you pay when you buy a property or land in the UK over £125,000 (or £300,000 for first-time buyers).



Housing

Suggested actions

If you rent your home, review your budget ahead of April 2027 and check your tenancy agreement to understand how and when your landlord can raise rent. It's also a good idea to familiarise yourself with your rights around rent increases and notice periods, so you're prepared if your landlord decides to make changes. You can find support **here**.

If you're working towards buying your first home, **this directory** can help you find regulated mortgage advice.

Use the **Better Off Calculator** to easily check if you're missing out on financial support that could help ease the cost of living.

Other measures

Online shopping

The government is closing a loophole that allowed low-value parcels (under £135) from overseas e-commerce companies to enter the UK without paying customs duty. This means, from March 2029 at the latest, these companies will now have to pay more tax, which could lead to higher prices for shoppers over time.

Soft drinks sugar tax

The government is expanding the current sugar tax to cover shop-bought milk-based drinks. They are also lowering the sugar threshold at which any drink becomes taxable. As a result, some drinks may become slightly more expensive, or manufacturers may reduce their sugar content to avoid the higher tax. This does not apply to your freshly-made drinks in coffee shops or cafes.

Breakfast clubs

First announced and piloted in early 2025, the national rollout of the **Free Breakfast Club Scheme** will begin, with 2,000 additional schools joining in 2026–27.

Playgrounds

The government will invest £18m over two years in up to 200 playgrounds across England. This will provide more free spaces for families to spend time without spending money.

NHS Neighbourhood Health Centres

The government announced plans to deliver 250 new Neighbourhood Health Centres, of which 120 will be operational by 2030.

Employment rights

Announced separately from the Budget, wrongful dismissal protection will now apply after just six months of service, rather than the current two years. This gives employees access to key legal protections much earlier in their employment.

Suggested actions

Check out the government childcare support resources **here** to explore what support you might be eligible for.

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Important: This is an option, not a recommendation. Your employer does not benefit from offering this service and all your communications will be with Salary Finance. “Learn” content is for guidance and educational purposes only and is generic in nature. Salary Finance does not offer regulated financial advice. Please seek independent financial advice.

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