

Budget 2025, what does it mean for you?



When Rachel Reeves stood up at the dispatch box at 12.30pm on Wednesday 26th November, there weren't too many surprises thanks to an Office for Budget Responsibility (OBR) leak half an hour earlier, giving us a few extra minutes to digest the Chancellor's words.

There will be winners and losers but undoubtedly higher taxes will be a feature for many.

Here's some of the key headlines for our farming and rural business owning clients.

Inheritance Tax

Changes to the family farm tax

While there were not the changes that many hoped for, the Chancellor announced that the £1 million threshold of the family farm tax will now be transferable between spouses and civil partners. The change means that if a married farmer dies, they can leave £1m of agricultural or business assets to their spouse, and the spouse will be able to use their deceased's £1m, in addition to their own £1m allowance, to hand £2m of assets to their children on their death.

If the first death was before 6 April 2026, it will be assumed the entirety of the allowance will be available

for transfer to the surviving spouse or civil partner. This will make the rules fairer for widows and widowers, and reduce complexity.

Inheritance Tax (IHT) nil rate bands frozen until 2031

Both the main nil rate band (NRB) and residence nil rate band (RNRB) will stay fixed at current levels for a further 12 months until April 2031. The £1m allowance for the 100% rate of agricultural property relief (APR) and business relief (BR) will also be fixed for a further year, to April 2031.

Pensions

NI relief on salary sacrifice pensions capped at £2,000

The government has introduced a £2,000 a year cap on national insurance relief for pension salary sacrifice from 2029.

State Pension

The full basic state pension will rise by £440 per year, while the full new state pension will go up by £575 per year.

Tax

You may pay more tax

The amount of income at which you pay different rates of income tax will still not be increased in line with rising prices as the tax thresholds will stay frozen until 2031. That is three years longer than previously planned. With the national minimum wage rising from £10 to £10.85 for those aged 18-20, and increasing by 4.5% to £12.71 for those aged 21 and over, more workers will be dragged into paying, especially the basic rate.

Employer National Insurance (NI) contributions have also been frozen to 2031.

Wealth taxes – dividends, savings and property tax increases

The Chancellor announced a 2 percentage point increase on tax payable on dividends, savings and property (e.g. rental income).

Dividends

From April 2026, investors on the ordinary rate will pay 10.75% in dividend tax rather than the current 8.75%. The upper rate will rise to 35.75% from 33.75%, although the additional rate will remain unchanged at 39.35%.

	Current	From April 2026
Ordinary rate	8.75%	10.75%
Upper rate	33.75%	35.75%
Additional rate	39.35%	39.35%

Savings

Interest will be taxed at 22% (up from 20%) for basic rate payers, while the higher rate has been upped from 40% to 42% and the additional rate from 45% to 47%. These changes will come into effect one year later in April 2027.

	Current	From April 2027
Basic rate	20%	22%
Higher rate	40%	42%
Additional rate	45%	47%

Property income

From April 2027, the basic rate will be 22%, the higher rate will be 42% and the property additional rate will be 47%. Property income of less than £1,000 does not need to be reported to HMRC and is tax-free.

	From April 2027
Basic rate	22%
Higher rate	42%
Additional rate	47%

Individual Savings Accounts (ISAs)

Lifetime ISA to be scrapped

Something that may affect those trying to get on the property ladder, the government is set to consult on lifetime ISA reform in early 2026, with plans to scrap the product. Following this consultation, it is likely to be replaced with something aimed at first time buyers.

Changes for investors: Stamp duty

Currently, investors with Stocks & Shares ISAs pay a 0.5% levy when they buy UK-listed shares. As part of the Chancellor's initiative to get the country investing in the UK, Rachel Reeves has introduced a stamp duty holiday on shares for newly listed UK companies.

This means the usual 0.5% tax on buying shares will be waived for three years after a company's IPO. It will only apply to new listings.

Cash ISA savings will be restricted

From April 2027 the amount of money that can be saved tax-free each year in a cash ISA will be reduced from £20,000 to £12,000 a year for the under 65s, with the aim of encouraging more savers to invest in Stocks & Shares ISAs. The total limit will remain at £20,000 and the additional £8,000 will be available to be made in Stocks & Shares ISAs.

Venture Capital Trusts

Venture Capital Trusts (VCT) income tax relief cut from 30% to 20%

As of April 2026, the government will cut upfront income tax relief for VCTs from 30% to 20%. The Treasury said this move was being done to

“better balance the amount of upfront tax relief offered compared to EIS, where dividend relief is not available”.

Mansion Tax

New Mansion Tax from April 2028

Owners of high-value homes (worth in excess of £2m) will be hit with a yearly High Value Council Tax charge from April 2028. The money will be collected through Council Tax and this is on top of the Council Tax already paid by homeowners. Although the surcharge will be collected by local authorities on behalf of central government meaning the cash will end up in the coffers of the Treasury, not with local councils. A public consultation on details will be held in early 2026.

The Valuation Office will then conduct a targeted valuation exercise to identify properties worth above £2 million, with revaluations conducted every five years. Eligible homes will then be placed in four price bands, from £2,500 for a property valued in the lowest £2 million to £2.5 million band to £7,500 for a property valued in the highest band of £5 million or more, all uprated by CPI inflation each year.

Fuel and EV cars

Fuel duty

Rates on fuel duty – a tax included in the price you pay for petrol, diesel and other fuels – will be frozen at its current rate until September 2026.

New charge for electric vehicles (EVs)

Drivers of EVs will be subject to a 3p per mile mileage-based charge on battery electric and plug-in hybrid cars from April 2028. In addition, owners of plug-in hybrid cars will pay 1.5p per mile, irrespective of how far they drive on electric or petrol power.

The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than you invested.

The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief is generally dependent on individual circumstances.

Cash ISAs are not available through St. James's Place.

Effective succession planning is about helping to ensure your farm remains a thriving legacy for future generations. Early and transparent family discussions are essential for creating a lasting plan.

Please scan the QR code to download our **FREE Accession Inheritance Tax Booklet** or visit **accessionfp.co.uk**

