

# 2025 Autumn budget

## Key takeaways for Private Clients

The 2025 Autumn Budget has delivered a mix of headline reforms and quieter technical adjustments that will impact private clients over the coming years. The most eye catching announcement is the introduction of a property tax – the High Value Council Tax Surcharge – applying to homes worth £2 million or more from April 2028.

While some widely speculated measures, such as the imposition of an 'exit charge' on individuals leaving the UK, the removal of Principal Private Residence (**PPR**) relief on high value homes or Stamp Duty Land Tax (**SDLT**) reform, have not materialised, the government has pressed ahead with the introduction of targeted anti avoidance rules affecting trusts settled by former non-UK domiciliaries.

This briefing highlights the most significant developments for private clients, both for those based in the UK and for international clients with UK assets.



## Introduction of a property tax

A limited form of property tax is being introduced: the High Value Council Tax Surcharge (**HVCTS**). This will be a new charge on owners of residential property in England worth £2 million or more in 2026, taking effect in April 2028: with a proposed revaluation every five years. It is proposed that the bands will be as follows:

Threshold	Rate
£2m – £2.5m	£2,500
£2.5m – £3.5m	£3,500
£3.5m – £5m	£5,000
£5m +	£7,500

It is important to note that homeowners, rather than occupiers, will be liable to the surcharge and will continue to pay their existing Council Tax alongside the surcharge. The government will be consulting on a variety of measures, including the introduction of a support scheme for those who may struggle to pay the charge (potentially this may mean that the charge is rolled-up and only paid on the transfer of the property on an inheritance, gift, or sale).

The government will consult on possible reliefs and exemptions, and rules for more complex ownership structures, including those involving companies, funds, trusts and partnerships. The consultation will also cover treatment of those who are required to live in a property as a condition of their job ("tied property").

Questions remain for now about how the government will value properties; whether, in time, the starting threshold might be lowered (as was the case with the annual tax on enveloped dwellings) and how the annual rates will be re-assessed over time.

Several property tax changes speculated in the run up to the Budget have not been introduced. PPR relief on high value homes remains in place and SDLT has not been reformed.

## Inheritance Tax (IHT): no changes to IHT rates or the rules on lifetime gifts

There had been various rumours about extending the seven-year survivorship period (after which gifts fall out of account for IHT) or capping the lifetime gift amount. These have not materialised. The nil rate bands have, as expected, remained frozen for a further year until April 2031.

## Agricultural Property Relief (APR)/Business Property Relief (BPR): £1 million allowance transferable between spouses and civil partners

Following lobbying since the previous Budget, the Government has decided that the £1m relieviable property allowance (available for qualifying agricultural and business property) should be transferrable between spouses and civil partners.

It had been hoped that this would be announced in the draft legislation released in July, and its absence was notable. This change will align the position with that of the nil rate band (£325k per person) and residence nil rate band (up to £175k per person). This will be a welcome development for those who have been considering fragmenting ownership to maximise the relief.

Moreover, the Government announced that the £1m allowance will be frozen until April 2031. This is contrary to the draft legislation released in July, which stated that the allowance would be index-linked from April 2030.

## Pensions: clarification for executors

IHT on pensions (as announced in the October 2024 Budget) will still be implemented from 6 April 2027. However, following lobbying about executors being, strictly speaking, liable for IHT on pensions, the Government has announced that executors will not be liable for IHT on pensions discovered once clearance has been obtained on an estate. This should provide some comfort to executors, but does not go as far as lobbyists were hoping.

## Income tax: rates on non-employment income to rise

The Government has announced that the rates of income tax on non-employment income (i.e. savings, property income and dividends) will rise by 2% (other than the additional dividend rate, which will remain the same) as follows:

	Ordinary/ Basic (current)	Ordinary/ Basic (new)	Upper/ Higher (current)	Upper/ Higher (new)	Additional (current)	Additional (new)
<b>Dividends</b>	8.75%	10.75%	33.75%	35.75%	39.35%	39.35%
<b>Savings</b>	20%	22%	40%	42%	45%	47%
<b>Property</b>	20%	22%	40%	42%	45%	47%

The new dividend rates will be effective from 6 April 2026 and the new savings and property rates will take effect from 6 April 2027.

The above will be treated as the top slice of income, meaning any employment, trading or pension income will benefit from the personal allowance in priority. The change will not affect specific structural allowances such as the dividend allowance, personal savings allowance and property allowance.

## Capital Gains Tax (CGT): no changes to CGT rates or hold-over relief

A 24% rate of CGT is generally seen as the sweet spot at which the rate of tax does not discourage disposals. Many will be pleased to have seen that there was no change to CGT rates in the Budget.

There were concerns that hold-over relief would be restricted or abolished. However, we have seen no sign of this in the Budget documents released so far. Hold-over relief is a particularly important relief, which prevents a dry CGT charge arising on the gift of certain qualifying assets.

## Other

### ► Cap to salary sacrifice contributions

From April 2029, the current National Insurance Contribution (NIC) exemption for pension scheme contributions made by way of salary sacrifice will be limited to £2,000. While the existing income tax reliefs will continue to apply to such contributions, employer and employee NICs will apply in full to any salary sacrifice contributions above this limit.

### ► Cash ISA allowance

From April 2027, the annual tax free Cash ISA allowance for individuals under 65 will be reduced from £20,000 to £12,000.

## Updates to the IHT rules affecting former “non-doms”

### Extension of IHT “grandfathering” provisions

Somewhat surprisingly, the Treasury has published draft legislation which will introduce a cap on the IHT charges of some existing discretionary trusts settled by non-UK domiciled individuals prior to last year’s Budget. While there had been rumours earlier in the year that the existing “grandfathering” provisions for such trusts might be extended, the tone of communications from the Treasury on the economic climate made many doubt that such an extension would materialise.

A cap of £5m every 10 years will apply to the 10-year anniversary and exit charges in respect of property settled onto trust prior to 30 October 2024 provided that (i) the property is neither UK situated nor derives its value from UK residential property at the time of the charge and (ii) the property was outside the scope of IHT immediately prior to 30 October 2024.

As the maximum rate on each 10-year anniversary is 6%, a £5m cap will only benefit trusts holding assets in excess of approximately £83m. Some might be surprised that the Government has introduced a concession aimed at the largest trusts, rather than a graduated allowance for all affected trusts. It appears that where an individual has settled multiple trusts, the £5m cap will apply to each trust.



### IHT anti-avoidance rules

The government has announced two anti-avoidance measures targeted at the IHT regime for discretionary trusts.

The first will target UK agricultural property held in trusts established by individuals who are not long-term UK residents. As it stands, look-through provisions mean that non-UK situated assets held in trusts established by non-long-term UK residents are within the scope of IHT to the extent that their value is attributable (directly or indirectly) to UK residential property. From 6 April 2026, these look-through provisions will also apply to non-UK situated assets that derive their value from UK agricultural property.

It is unclear why the government has only chosen now to extend these provisions to agricultural property, although the timing would suggest that the measure is intended to prevent those trusts that will be affected by the new limit to APR from mitigating IHT by interposing a non-UK incorporated company. While the draft legislation has not yet been published, it is expected that the measures will also mean that non-UK property that derives its value from agricultural property will not be eligible for the £5m cap.

The second measure provides that where a settlor ceases to be a long-term UK resident, there will be an IHT charge if the trust’s assets subsequently become non-UK situated. The rationale for this measure is clear. The current legislation provides that if trust property is neither UK situated nor derives its value from UK residential property, there is an IHT exit charge if the settlor ceases to be a long-term UK resident. In contrast, there is no such exit charge if the settlor ceases to be a long-term UK resident and the trust property is UK situated. The government has identified that settlors and trusts may seek to “onshore” property in advance of a settlor ceasing to be a long-term UK resident to avoid an exit charge, with a view to taking the property outside of the UK subsequently.

## Summary

Following significant speculation in the lead-up to the 2025 Autumn Budget, anticipation was high around which measures would be announced and how they might affect private clients. While there is some relief that the changes were not as wide-ranging as many feared, this Budget nonetheless represents the highest tax-raising package in history.

Against this backdrop, private clients will be keen to identify the opportunities available to plan ahead and reinforce the need for proactive estate, property, and investment planning to safeguard wealth.

## How we can help

Forsters' Private Wealth practice is well placed to advise private clients on estate structuring and tax planning opportunities, combining deep technical expertise with practical insight.

For further insights into how the Autumn Budget affects business owners, explore our dedicated briefing and stay informed with the latest analysis and updates through our [Autumn Budget hub](#).

## Contact us

Get in touch with your usual Forsters contact, or email [enquiries@forsters.co.uk](mailto:enquiries@forsters.co.uk), to discuss how the Autumn Budget announcements will affect you and to explore the planning opportunities available.

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