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Welcome to our latest monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you wish to discuss any issues further.

December 2025

Autumn Budget 2025

What does it mean for your business?

After weeks of speculation about what Budget 2025 would contain, the Chancellor was unexpectedly upstaged when the Office for Budget Responsibility (OBR) accidentally published their report revealing key policy measures ahead of the official announcement.

Although the report was quickly withdrawn, the information had already been picked up by media outlets and tax commentators.

Ultimately, however, the manner in which the details were released matters less than the substance of the policies themselves. It is the impact of these measures that will be felt over the coming years.

How does Budget 2025 affect your business? Let’s take a closer look at some of the key points and consider their potential implications.

A Tax Hit for Property Owners and Savers

Budget 2025 announced that, from 6 April 2027, the government will create new separate income tax rates that apply to property income and will increase the rates for these and for the income tax rates on savings income by two percentage points.

The new rates will be as follows:

		2027/28	
		Property income*	**Savings income**
Basic rate	£1 - £37,700	22%	22%
Higher rate	£37,701 - £125,140	42%	42%
Additional rate	Over £125,140	47%	47%

The new property income tax rates will apply to taxpayers in England and Northern Ireland. The Scottish and Welsh governments will have the power to set property tax rates for those jurisdictions.

Owners of property worth more than £2 million were also affected by the introduction of a high-value council tax surcharge, otherwise known as the ‘mansion tax’. The surcharge will be in addition to the existing council tax and will range from £2,500 to £7,500 depending on the property’s value. Properties will be valued before the introduction of the tax.

If you are a landlord, one or both of these changes could increase your costs. With the abolition of the furnished holiday lettings regime, higher stamp duty land tax on additional properties, the added responsibilities under the Renters Rights Act, and now the prospect of increased tax on property income, it is understandable to question whether continuing to let property remains worthwhile.

If you are concerned, please feel free to contact us. We can provide personalised advice to help you review your options, explore strategies to manage your tax exposure, and identify solutions that work for your individual circumstances.

Increase in Dividend Tax

If you are a company shareholder, from April 2026, the dividends you receive will be subject to higher rates of tax. The basic and higher rates of dividend tax will rise by 2% to 10.75% and 35.75% respectively.

For owner-managed companies, these increased rates raise an important question: do dividends remain a tax-efficient way to extract funds from the business? Those considering incorporating their business will also want to understand how these changes may influence their decisions.

We can provide tailored advice to help you plan effectively, ensuring that you continue to extract income in the most tax-efficient way possible. By reviewing your options in advance, you can make informed decisions that protect your hard-earned income and maximise the benefits of any available reliefs.

Increasing Payroll Costs

Even before the Budget speech, the new national minimum wage rates had been announced. These new rates come into force from 1 April 2026.

We've covered the details of the new rates separately, but it's worth noting the 4.1% increase in the main National Living Wage rate that applies to employees aged 21 and over and the rise of between 6.0% and 8.5% for employees under 21 and apprentices.

Employees who are paid at higher than minimum wage rates may also be looking for comparable increases in their pay. These could mean a fairly substantial uplift in your payroll costs next April. It will be important to ensure that you budget for these costs and take them into account with any recruiting you have in mind over the next year.

Salary Sacrifice for Pension Contributions

If your business offers salary sacrifice for pension contributions, an important change is coming in 2029. At present, all pension contributions made through salary sacrifice are exempt from employer national insurance contributions (NIC), regardless of the amount. This provides valuable savings for both employees and employers.

From 6 April 2029, however, the NIC exemption will be capped at £2,000 per year for employee pension contributions made via salary sacrifice. Any contributions above this threshold will continue to receive income tax relief but will become subject to both employer and employee NICs.

Although this change is still a few years away, it's worth considering now how it may affect the overall value of your employee pay and benefits packages.

IHT reliefs for business owners and farmers

The government is pressing ahead with plans to reform agricultural property relief (APR) and business property relief (BPR) from 6 April 2026. These are important inheritance tax (IHT) reliefs that currently mean that up to 100% relief is available on the full value of qualifying assets.

As announced in last year's Budget, from April 2026, this 100% relief will be capped at a combined £1 million of agricultural and business property, with any excess qualifying only for 50% relief.

However, Budget 2025 did provide some good news. It added that, from 6 April 2026, any unused APR or BPR allowance will become transferable to a surviving spouse or civil partner. As a result, couples may be able to pass on up to £3 million of qualifying agricultural or business property free of IHT.

Careful planning is essential, though. Transitional rules mean that gifting assets before 6 April 2026 may not necessarily help the situation. Please speak with us for personalised advice on the best way to organise your estate where business or agricultural assets are involved.

Capital Allowances

For 2026/27, the annual investment allowance (AIA) means that qualifying new capital expenditure you make of up to £1 million can be relieved in full against the taxable profits of your business.

Disappointingly, Budget 2025 announced that the rate of writing down allowance applicable to qualifying capital expenditure that is classed as main rate pool will drop from 18% to 14% on 1 April 2026 for companies and 6 April 2026 for unincorporated businesses, such as sole traders and partnerships.

However, this reduction may be partially offset by a new 40% first year allowance (FYA) that will be available from 1 January 2026. Its usefulness to your business may be limited, though, as it will only really be of benefit where the AIA or other FYAs are unavailable.

If you are considering buying electric vehicles for your business, Budget 2025 confirmed that FYAs that give 100% relief for qualifying expenditure on electric vehicles and charging points will be extended to April 2027.

Business Rates

As announced in the 2024 Budget, two new lower business rates multipliers for eligible retail, hospitality and leisure (RHL) properties with a rateable value (RV) below £500,000 will come into effect from 1 April 2026.

These new multipliers will replace the 40% RHL relief available in 2025/26 and will be funded by introducing a higher multiplier for properties with an RV above £500,000.

Legislation and local authority guidance have already set out the eligibility criteria for RHL properties, but Budget 2025 has now confirmed that each of the new multipliers will be 5p lower than the standard multiplier for a property with the same RV.

Mandated Electronic Invoicing

Following a consultation on the topic, the government plans to make electronic invoicing mandatory for all VAT invoices starting in 2029. A detailed implementation road map is expected to be published next year at Budget 2026.

The possibility of introducing real-time reporting (RTR) is also being considered. This is where invoice information is automatically shared with HMRC, perhaps as soon as it is sent to a customer. However, the government has confirmed that this will not start in 2029. RTR would only be introduced once electronic invoicing is widely in use and well established.

We still have a few years before mandatory electronic invoicing takes effect, and it is always possible that details may evolve as plans develop. However, businesses will need to begin thinking about the practical implications now.

In particular, these changes may influence your choice of accounting software and the pace at which you digitise your invoicing processes. Ensuring that your systems can support structured electronic invoicing formats will make any transition far smoother and minimise disruption once the rules are finalised.

In Conclusion

While Budget 2025 included much talk about growth, tackling inflation and cutting the cost of living, everyone has been asked to contribute. Freezing many income tax rates and thresholds for a further three years and increasing taxes on savings, dividends and property income will mean many end up paying more over the coming years.

It may be necessary to re-examine your business and personal plans for 2026 and beyond to be as tax-efficient as possible. Remember, we are here to support you to ensure your business and personal success. Please do get in touch if there is anything that you would like to discuss.

New National Minimum Wage Rates Confirmed

Payroll costs to increase again in April 2026

The government has announced the new minimum wage rates that will come into force from 1 April 2026.

The new rates are as follows:

	Current rate	**New rate**
Aged 21 and over	£12.21	£12.71
Aged 18 to 20	£10.00	£10.85
Aged under 18	£7.55	£8.00
Apprentice rate	£7.55	£8.00

The new rates mean that workers aged 21 and over will get a 4.1% increase. It is estimated that 2.4 million workers will benefit from the rise, with a further 300,000 apprentices and workers aged under 21 being given a rise of between 6.0% and 8.5%.

The larger rise for younger workers is part of the government's efforts to work towards having a single rate for workers regardless of age.

What should you do about this?

Budgeting for these additional costs from 1 April 2026 will be important, especially if you have plans to hire staff. The earlier you prepare, the better. Here are some key steps you can take:

- Review your payroll: Check which employees will be affected by the new rates.
- Update budgets and forecasts: Factor the higher wage costs into your cash flow planning from 1 April 2026 onwards.

- Consider pricing and productivity: Can you absorb the higher costs within your current prices, or do they need to be uplifted to maintain profitability? Are there adjustments you can make to the work staff are doing or their efficiency that could reduce staffing needs in the coming year?

- Check for knock-on effects: These wage increases may create pressure to adjust pay for employees who are paid above the minimum rates. Consider whether you need to review other salaries to maintain fairness and morale.

If you would like help modelling the impact of these changes or planning for April, just let us know. We can look at your numbers together and ensure you are prepared.

FSCS Deposit Protection Limit Rises to £120,000 from December

Is it time to review your business's cash reserves?

The Prudential Regulation Authority (PRA) has confirmed that the Financial Services Compensation Scheme (FSCS) deposit protection limit increases from £85,000 to £120,000 from the start of December.

The new threshold applies per depositor, per PRA-authorised bank, building society or credit union. The PRA have confirmed that HM Treasury has approved the change.

This is the first change to the limit since 2017 and follows a consultation earlier in the year. The PRA had initially proposed that the limit should rise to £110,000, but feedback provided in the consultation and the latest inflation data prompted a higher final figure.

Temporary High Balances Limit Also Rising

Alongside the core protection limit, the cap for Temporary High Balances (THBs) will increase from £1 million to £1.4 million on 1 December.

THB protection applies to qualifying life events that can temporarily increase a customer's account balance, such as buying or selling a house or insurance claim payouts.

Implications for Your Business

The increase in limit will be good news if you hold cash reserves in your business to cover working capital, payroll and other running costs.

It is worth noting that the limit continues to be applied 'per depositor, per PRA-authorised institution'. This means that if you are eligible and hold cash reserves that exceed the deposit protection limit, you could gain further protection by spreading your funds across different authorised institutions.

It is worth checking whether a banking group is operating multiple brands under a single licence. This means you would only receive a single protection limit for the total amounts held across those brands.

Taking a Wider Look at Cash

For many owner-managed businesses, cash reserves naturally rise and fall throughout the year. If you find that your balances regularly build up beyond what the business needs for day-to-day operations, the increase in the FSCS limit could be a useful prompt to review how much cash the company actually needs to hold.

Spreading funds between different banks can increase the level of protection available, but it can also be sensible to take a step back and consider whether those reserves are serving a useful purpose in the business. A simple cash flow review can help identify the amount needed for routine expenses, tax payments and any planned spending over the coming months.

Where cash consistently exceeds this level, you may want to consider:

- Are there investment opportunities for the business that would fit with your business growth plans?
- Would withdrawing funds, such as by dividends, better help you achieve your personal goals?

The right choice for you will depend on your personal and business circumstances, tax considerations and your plans for the business.

If you would like tailored advice or simply assistance in clarifying what level of reserves your business needs, please get in touch. We would be happy to help you!

NCSC Launches Free Cyber Action Toolkit

Practical actions to help businesses boost security

The National Cyber Security Centre (NCSC) has launched a new free Cyber Action Toolkit to help small businesses strengthen their cyber defences in a simple and affordable way.

The toolkit has been designed for businesses that may not have in-house IT expertise or large security budgets, offering clear, practical steps that can be implemented straight away.

Helping small businesses take action

NCSC recognises that many small businesses find cybersecurity daunting, perhaps feeling that it is too technical, too costly, or simply not a priority. The sheer volume of guidance available can also be off-putting. This all leads to feeling overwhelmed and leaving cybersecurity for another day.

The new Cyber Action Toolkit aims to change that by providing easy-to-follow actions that provide immediate protection, even for those new to cybersecurity. The format focuses on taking a series of simple steps rather than just reading through guidance.

According to NCSC, the Toolkit has been tested by more than 2,500 trial users with good results.

As one early user, copywriter Siobhan Strode, commented: “Having a guide was really helpful. I felt really motivated to tick actions off - they were quick to do.”

Why it matters for your business

Although many see cybersecurity as something that is more relevant to larger businesses, the NCSC advise that no company is too small to be a target. Small businesses are just as likely to experience online crime as larger ones.

To access the Cyber Action Toolkit, see here.