

Corporate Pensions Newsletter – Autumn Budget 2025 Update

For trustees and employers



Budget 2025 changes: Key updates for employers

In this edition, we'll let you know about the key headlines made in the Autumn Budget and what this means for you.

The Chancellor, Rachel Reeves, presented the Budget on 26 November 2026. This Budget introduces several measures that will impact employers, trustees, and scheme members, ranging from tax and pension reforms to compliance updates. Understanding these changes is essential to ensure your organisation remains aligned and prepared.

Below, we've summarised the key points and outlined practical actions you may wish to consider.

Salary sacrifice cap – effective April 2029

From April 2029, salary sacrifice for pension contributions will be capped at £2,000 per year for National Insurance exemption. Currently, salary sacrifice allows employees to exchange part of their salary for pension contributions, reducing both their and their employer's NI liability. Apart from the restriction that salary sacrifice cannot reduce an employee's pay below National Minimum Wage, there's no upper limit, making it one of the most tax-efficient boost retirement savings and reduce payroll costs.

Under the new rules, any contributions above £2,000 will attract employer NI, limiting the maximum employer NI saving to £300 per employee per year ($\text{£2,000} \times 15\%$) for individuals using salary sacrifice. This could significantly increase costs for businesses offering generous pension contributions. Aside from the National Insurance savings, the overall tax benefit for both employees and employers remains the same under salary sacrifice and traditional pension contribution arrangements.



Next steps:

Employers should review the costs and benefits of their current salary sacrifice arrangements and consider whether reward strategies require adjustment. It's important to communicate any changes clearly to scheme members.

National Minimum Wage

The National Minimum Wage will rise on 6 April 2026. While rates for those aged 21 and over have been adjusted in line with inflation, a larger increase was applied to those aged 18 to 20.

Below are the revised rates along with estimated annual salaries for employees working 35 or 40 hours per week.

Age	April 2025 (£ per hour)	April 2026 (£ per hour)	Increase (%)	Annual Salary @ 35 hours per week	Annual Salary @ 40 hours per week
18 – 20 years old	£10.00	£10.85	8.5%	£19,747pa	£22,568pa
21 and older	£12.21	£12.71	4.1%	£23,132pa	£26,436pa



Next steps:

Where salary sacrifice arrangements are in place, these will not be accessible to employees whose earnings fall below the National Minimum Wage after the sacrifice. In addition to adjusting salaries to meet the new minimum levels from April 2026, employers should review post-sacrifice pay to maintain compliance and ensure eligible employees can continue participating.

Frozen tax & NI thresholds

The freezing of Income tax and NI thresholds has been extended until April 2031. As wages rise, more employees will move into higher tax bands, increasing their personal tax burden and potentially raising employer NI costs.

Inheritance Tax on pensions

From April 2027, most inherited pensions will count towards the estate for Inheritance Tax (IHT). Exemptions are in place for Life Assurance provisions for employees dying in service. The government is expected to announce detailed regulations on how this will operate.

It was also announced that personal representatives and beneficiaries will be able to request withholding part of the death benefit for up to 15 months, with the option to IHT directly to HMRC.



Next steps:

Employers and trustees should update communications and review death-in-service policies to ensure clarity and compliance. They may also wish to encourage members to review their Nomination/Expression of Wish forms to minimise any potential IHT charges that may apply on a member's death.

Dividend, savings and property tax increases

Tax rates for dividends, savings and property income rates will rise by 2%. The allowances and tax rates for these apply after all other income, making them subject to the highest marginal tax rate applicable. Below, we've outlined what's changing for each type of income:

Dividends

From April 2026, the dividend tax rate will increase by 2% for those paying basic or higher rate tax. There are no changes for additional rate taxpayers, and the dividend nil-rate band will remain unchanged.

	2025/26	2026/27
Nil Rate Allowance	£500	£500
Basic Rate Tax Payer (20%)	8.75%	10.75%
Higher Rate Tax Payer (40%)	33.75%	35.75%
Additional Rate Tax Payer (45%)	39.35%	39.35%

Savings

From April 2027, the tax rate on savings interest will increase by 2%. There are no changes to the savings nil rate band.

	2025/26		2027/28	
	Nil Rate Band	Tax Rate	Nil Rate Band	Tax Rate
Savings starter rate	£5,000	0%	£5,000	0%
Basic Rate Tax	£1,000	20%	£1,000	22%
Higher Rate Tax	£500	40%	£500	42%
Additional Rate Tax	£0	45%	£0	47%

Property

From April 2027, the tax rate on property income will go up by 2%. The property income nil rate band isn't changing, and the Rent a Room Scheme will continue to offer up to £7,500 per year in tax-free income.

	2025/26		2027/28	
	Nil Rate Band	Tax Rate	Nil Rate Band	Tax Rate
Non-tax payer	£1,000	0%	£1,000	0%
Basic Rate Tax	£1,000	20%	£1,000	22%
Higher Rate Tax	£1,000	40%	£1,000	42%
Additional Rate Tax	£1,000	45%	£1,000	47%

Individual Savings Accounts (ISAs)

ISAs are a tax-free savings option. There are some changes coming to ISA arrangements, but the overall annual limit of £20,000 remains the same. This can be a mix of Stocks & Shares ISA, Cash ISA and Lifetime ISA (LISA).

Cash ISA

From April 2027, the maximum you can pay into a Cash ISA reduces from £20,000 to £12,000 per year for those under age 65. Those 65 and over will be able to pay up to £20,000 per year. Individuals could choose to invest the remaining £8,000 ISA limit in a LISA (if they meet the qualifying conditions) and/or a Stocks & Shares ISA.

Stocks & Shares ISA

There's no change to the maximum that can be invested in a Stocks & Shares ISA – it remains in line with the overall maximum limit of £20,000 per year. However, interest paid on cash deposits within a Stocks & Shares ISA will now be subject to charges, to prevent people using investments in cash within a Stocks & Shares ISA to circumvent the £12,000 Cash ISA limit.

Lifetime ISA (LISA)

The maximum you can pay into a LISA remains at £4,000 per year. The Government will be consulting in early 2026 for a new product to replace the LISA.

Employee Ownership Trusts – Reduction in tax relief

Capital gains tax relief for Employee Ownership Trusts is being reduced from 100% to 50%. Businesses using EOTs for succession planning may face higher tax costs, so reviewing these plans and communicating any changes will be important.



You can find a full summary of the changes in our [Autumn Budget article](#).