

The background of the entire page is a low-angle, upward-looking photograph of several modern skyscrapers with glass and steel facades. The perspective creates a sense of height and architectural grandeur. The sky is a clear, pale blue with some light, wispy clouds. A large, dark blue circular graphic is positioned on the left side, partially overlapping the buildings and serving as a backdrop for the title text.

AUTUMN 2025 REPORT

www.mccpartners.co.uk

Autumn Budget 2025

What Small Business Owners Need to Know

Prepared by MCC Partners Accountants Limited | 26 November 2025

Introduction



Overview

Chancellor Rachel Reeves delivered her second Autumn Budget on 26 November 2025, announcing £26 billion in tax rises alongside targeted measures affecting small and medium-sized enterprises. While there was no headline increase to income tax rates, the Budget introduces significant changes that will impact employment costs, business taxation, and personal finances over the coming years.

This guide summarises the key changes affecting small business owners and includes practical examples to help you understand the real impact on your business.

Employment Costs

National Living Wage Increase

From April 2026, the National Living Wage for workers aged 21+ will increase:

Current Rate	From April 2026
£12.21 per hour	£12.71 per hour (+4.1%)

Other minimum wage rates will also increase:

- 18-20 year olds: £10.85 per hour (up 8.5%)
- Under 18s and apprentices: £8.00 per hour

Example: A full-time employee (37.5 hours/week) currently earning the minimum wage costs £23,810 per year. From April 2026, this rises to £24,782 – an increase of £972 per employee annually.

Free Apprenticeship Training for SMEs

In positive news for small businesses, training costs for apprentices under 25 will be completely free for SMEs (businesses with fewer than 250 staff). This makes hiring young talent significantly more affordable.

Additionally, the Apprenticeship Levy will be replaced by the more flexible Growth and Skills Levy from April 2026, allowing employers to use funds for a wider range of training courses.

Key Tax Changes

Income Tax Thresholds Frozen

Personal allowances and income tax thresholds will remain frozen until 2030-31 – a further three-year extension. This means more people will be pulled into higher tax bands through 'fiscal drag' as wages rise.

Dividend Tax Increases

From April 2026, dividend tax rates increase by 2%:

Tax Band	Current	From Apr 2026
Basic Rate	8.75%	10.75%
Higher Rate	33.75%	35.75%
Additional Rate	39.35%	39.35%

Example: A director taking £30,000 in dividends (above the £500 allowance) currently pays £2,580 in dividend tax. From April 2026, this rises to £3,169 – an additional £589 per year.

Savings & Property Income Tax

From April 2027, tax on savings interest and property income will increase by 2% at each band (basic rate: 22%, higher rate: 42%, additional rate: 47%).

Capital Gains Tax – Employee Ownership Trusts

CGT relief on business sales to Employee Ownership Trusts has been reduced from 100% to 50%. This significantly impacts succession planning for business owners considering this route.

Business Rates Reform

From April 2026, permanently lower business rates multipliers will apply to over 750,000 retail, hospitality, and leisure properties:

- Properties with rateable values under £500,000 benefit from lower multipliers

- Small business RHL multiplier: 38.2p (down from 49.9p standard rate)
- The current 40% RHL relief (capped at £110,000) ends March 2026

Important: While rates are lower, many businesses will see revaluation increases as rateable values are updated to reflect post-COVID recovery. A £4.3bn support package will cap bill increases through transitional relief.

Pension Changes

Salary Sacrifice Cap (From April 2029)

A new £2,000 annual cap will apply to salary-sacrificed pension contributions eligible for NI exemption. Contributions above this threshold will be subject to both employer (15%) and employee (8%) National Insurance.

Example: An employee salary-sacrificing £10,000 into their pension currently saves the employer £1,500 in NICs. From 2029, only £2,000 is exempt – the employer pays an additional £1,200 in NICs on the remaining £8,000.

ISA Reforms

From April 2027:

- Cash ISA allowance reduced to £12,000 (from £20,000)
- Overall £20,000 ISA limit unchanged – £8,000 must go into investments
- Over 65s retain the full £20,000 cash ISA allowance

Other Key Measures

- Corporation tax: Maintained at 25% – the lowest in the G7
- Fuel duty: 5p cut extended until August 2026
- Capital allowances: New 40% first-year allowance; writing-down allowance reduced from 18% to 14%
- R&D tax relief: New advance assurance pilot from Spring 2026 for SMEs
- Energy bills: Household bills reduced by approximately £150/year through lower environmental levies

Key Dates Timeline

April 2026	NLW increase, dividend tax rise, business rates reform, Growth & Skills Levy
April 2027	ISA reform, savings/property income tax increase
August 2026	Fuel duty cut ends
April 2029	Salary sacrifice pension cap takes effect
April 2031	Income tax threshold freeze ends

Actions to Consider

- 1. Review wage budgets for the April 2026 NLW increase and plan for increased payroll costs**
- 2. Consider apprenticeships – free training for under-25s makes this an attractive hiring option**
- 3. Review dividend strategy ahead of April 2026 to optimise tax position**
- 4. Assess pension arrangements – plan for salary sacrifice changes before 2029**
- 5. Check your business rates – understand how revaluation and new multipliers affect you**
- 6. Maximise ISA contributions before the cash allowance reduces in April 2027**

Need Help Understanding These Changes?

Contact MCC Partners to discuss how the Autumn Budget 2025 affects your business

1A Saddington Street, Gravesend, Kent DA121ED | www.mccpartners.co.uk

***Disclaimer:** This document provides general guidance only and does not constitute professional advice. Tax rules are complex and individual circumstances vary. Please contact us for advice specific to your situation.*