

GMS Flash Alert

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United Kingdom – Autumn Budget 2025: Tax Rises for All

The Chancellor of the Exchequer, Rachel Reeves, delivered the Autumn Budget to the U.K. Parliament on 26 November 2025.¹ In a challenging economic climate, the focus of the Budget was on strengthening the country's finances.

Recent Budgets have been of great interest from a global mobility perspective, with the introduction of the Foreign Income and Gains regime, which significantly changed the way that many globally mobile individuals are taxed in the U.K.² In comparison, this was a much quieter Budget from a global mobility perspective, however, there were still items of interest.

Of most interest to globally mobile individuals and their employers is the announcement of the changes to the National Insurance Contributions (NIC) treatment of salary sacrifice pension contributions. From April 2029 pension contributions over £2,000 per annum, made under a salary sacrifice arrangement, will be liable to both employees and employers NIC.

WHY THIS MATTERS

For employers of globally mobile employees there is always a great deal of interest in the U.K.'s fiscal events as they can have a direct impact on the cost of assignments.

It is essential to get in front of the changes described in this alert and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make any necessary adjustments.

Overview of Main Measures

Pension Salary Sacrifice

The main measure that is likely to be of interest to globally mobile employees and their employers is the change to salary sacrifice for pension contributions.

Under current pension salary sacrifice arrangements, employees choose to sacrifice some of their gross salary in return for receiving higher employer pension contributions. Currently, these employer pension contributions are not liable to either employee or employer NIC nor income tax.

With effect from April 2029, salary sacrificed pension contributions above a cap of £2,000 will be subject to both employees and employers NIC. The current Class 1 NIC rates are 2% for employee's earnings above the upper earnings limit and 15% for employers. Ordinary employer pension contributions will remain exempt from NIC and pension contributions will remain tax-free. The effect of this change will increase the cost of making pension contributions for many.

High Value Council Tax Surcharge

Another measure announced was that a High Value council tax surcharge will be introduced for properties valued at more than £2 million from 1 April 2028. There will be four bands, starting at £2,500, rising to £7,500 for properties worth over £5 million.

Voluntary National Insurance contributions

A final announcement of interest to globally mobile individuals leaving the U.K. is the removal of the ability to pay voluntary Class 2 NICs when living abroad and the increase of the initial residency or contributions requirement to pay Class 3 voluntary NICs outside of the U.K. to 10 years. This will take effect from 6 April 2026.

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Employees who currently make pension contributions via salary sacrifice and their employers are likely to be disappointed by this measure, as they will no longer be able to benefit from the National Insurance savings, increasing the cost of making contributions via salary sacrifice. However, they will appreciate that the changes are not due to come into effect until April 2029, giving them time to prepare for the changes.

The High Value council tax surcharge will increase the costs for assignees staying in high-value properties, increasing the cost of the assignment for these individuals.

The announcement of the removal of the ability to pay voluntary Class 2 will disappoint individuals leaving the U.K. to work overseas who will not remain liable to pay Class 1 U.K. National Insurance Contributions. Although they may still be able to pay Class 3 National Insurance Contributions, these are more expensive (the Class 2 rate from April 2026 is £3.65 per week, compared to £18.40 per week for Class 3 contributions).

Personal Income Tax Rates and Thresholds

The personal income tax thresholds had previously been frozen until 2028, and it was announced at this Budget that the threshold freeze will be extended for three more years until 2031.

Additionally, it was announced that the basic and higher income tax rates for dividends will increase by 2% from April 2026. The additional rate for dividends will remain unchanged.

Similarly, the basic, higher and additional income tax rates for savings and property income will increase by 2% from April 2027.

The income tax rates and thresholds are below:

Employment Income

	Threshold	Tax Rate
Personal Allowance	Up to £12,570	0%
Basic Rate	£0 - £37,700	20%
Higher Rate	£37,701 - £125,140	40%
Additional Rate	Over £125,140	45%

Source: KPMG LLP (U.K.)

Dividends

	2025/26	2026/27
Basic Rate	8.75%	10.75%
Higher Rate	33.75%	35.75%
Additional Rate	39.35%	39.35%

Source: KPMG LLP (U.K.)

Interest and property income

	2025/26	2026/27	2027/28
Basic Rate	20%	20%	22%
Higher Rate	40%	40%	42%
Additional Rate	45%	45%	47%

Source: KPMG LLP (U.K.)

Scotland

The 2026/27 tax rates for Scottish taxpayers will be presented to the Scottish Parliament on 13 January 2026.³

Wales

The Welsh Senedd sets income tax rates for Welsh taxpayers. The draft budget was published on 14 October 2025.⁴ The income tax rates for Welsh taxpayers are the same as for English and Northern Irish taxpayers.

National Insurance Contributions (NIC)

The National Insurance thresholds will be extended for a further three years from 2028/29. The Chancellor confirmed that there would not be any changes to the National Insurance rates.

	2025/26	2026/27
Annual Threshold for Employee NIC	£12,570	£12,570
Annual Threshold for Employer NIC	£5,000	£5,000
Upper Earnings Limit	£50,270	£50,270

Source: KPMG LLP (U.K.)

	2025/26	2026/27
Class 1, 1A and 1B NIC Rate for Employers on Earnings Above the Annual Threshold	15%	15%
Class 1 NIC Rate for Employees Between the Annual Threshold and Upper Earnings Limit	8%	8%
Class 1 NIC Rate for Employees Above the Upper Earnings Limit	2%	2%

Source: KPMG LLP (U.K.)

Capital Gains Tax/Carried Interest

The Chancellor announced that there will be no changes to the capital gains tax annual exempt amount nor the capital gains tax rates.

As previously announced at the Autumn 2024 Budget, a new taxation regime for carried interest will take effect from 6 April 2026.⁵

	2025/26	2026/27
Annual Exempt amount	£3,000	£3,000
Residential property	Basic rate - 18% Higher rate - 24%	Basic rate - 18% Higher rate - 24%
Carried interest	32%	New taxation regime
Other chargeable assets	Basic rate - 18% Higher rate - 24%	Basic rate - 18% Higher rate - 24%

Source: KPMG LLP (U.K.)

Other Measures

- The Individual Savings Account cash limit will reduce from £20,000 to £12,000 with effect from April 2027 for those aged under 65.
- It was announced earlier in the year that mandatory payrolling of benefits in kind would be deferred until 6 April 2027.⁶
- The government has announced that they will explore how to further develop its tax offer for high-talent new arrivals, to ensure the U.K. remains a competitive destination for global talent. They will seek views on this in due course, and KPMG LLP in the U.K. will provide our input on behalf of our clients.

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Impact of Key Measures: ‘High Level’ Look

In general, this is a disappointing Budget for globally mobile employees and their employers, as the measures announced such as the changes to pension salary sacrifice are likely to increase costs for individuals moving to the U.K.

Globally mobile employees and employers may be relieved that despite rumours of the introduction of an Exit Tax targeting individuals leaving the U.K. circulating before the Budget, nothing was announced in respect of this.

Next Steps

Further guidance will be published by the government “in due course.”

KPMG LLP (U.K.) will continue to keep readers informed of any further developments that concern individuals, including those on international assignments, and their multinational employers.

FOOTNOTES:

1 For the U.K. government’s Autumn Budget 2025, click [here](#). For coverage and analysis of the Autumn Budget 2025 by KPMG LLP in the U.K., click [here](#).

2 For coverage by KPMG LLP in the U.K. of the Autumn Budget 2024, see [GMS Flash Alert 2024-215](#) (31 October 2024).

3 For the announcement of the date of the 2026-27 Scottish Budget, click [here](#).

4 For the Welsh government’s Draft Budget for 2026-27, click [here](#).

5 For coverage by KPMG LLP in the U.K. of the changes to the taxation of carried interest, click [here](#).

6 For coverage by KPMG LLP in the U.K. of the deferral of mandatory payrolling of benefits in kind, click [here](#).

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