

The Big Budget Fallout

What does Reeves' first fiscal event mean for savers, investors and retirees?

Tom Selby
Director of Public Policy

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What we'll talk about today

- The Big Employer Tax Hit
- The Big (thresholds) Freeze
- A New Pensions Death Tax
- Capital Gains Tax Hike
- Pensions Tax Relief and Tax-free Cash
- No UK ISA...but Mansion House push continues

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The Big Employer Tax Hit

- The £40 billion 'black hole' in public finances.

The Big Employer Tax Hit

- Labour committed not to change rates of employee National Insurance, income tax or VAT in its manifesto.

The Big Employer Tax Hit

- Heavy lifting filling that hole handed to employers:
 - Employer National Insurance Contribution rate increased from 13.8% to 15% (April 2025).
 - Point at which NI charged lowered from £9,100 to £5,000.
 - Employee “payslips” protected through manifesto tax lock...but workers will ultimately pay a price.

The Big (thresholds) Freeze

The Big (thresholds) Freeze

- Commitment to not increase income tax *rates* doesn't mean employees won't see their income tax *bills* rise.

The Big (thresholds) Freeze

- Government's decision to maintain the deep freeze in income tax thresholds means millions of people will be dragged into higher income tax bands in the coming years.

The Big (thresholds) Freeze

- Retirees also increasingly at risk of being pushed into higher income tax bands.

The Big (thresholds) Freeze

- Some **4.4 million** people to be dragged into paying income tax in the current tax year and **1.9 million** pulled into paying 40% tax.

(Source: HMRC)

The Big (thresholds) Freeze

- Income tax freeze makes the case for pension saving more compelling.

A New Pensions Death Tax

- Big news for retirees from the Budget – a new pensions death tax.

A New Pensions Death Tax

- As things stand, pensions can usually be passed on IHT-free and potentially completely tax-free if you die before age 75.

A New Pensions Death Tax

- If you die after age 75, your pension is taxed in the same way as income when your nominated beneficiary (or beneficiaries) accesses the money.

A New Pensions Death Tax

- This means it often makes sense from an IHT perspective to spend your retirement pot last.

A New Pensions Death Tax

- From April 2027, government wants to bring unspent pensions into IHT.

A New Pensions Death Tax

- Spousal exemption will remain...
big reason to tie the knot!

A New Pensions Death Tax

- Details not yet clear...
but important not to make panicked decisions
today that you might regret later!



Capital Gains Tax Hike

Capital Gains Tax Hike



Labour's pre-election tax lock pledge left Reeves limited room for manoeuvre in her October Budget.

Capital Gains Tax Hike



CGT always looked like an obvious target to raise revenue for the Exchequer.

Capital Gains Tax Hike



CGT rate increases from 30 October:

Capital Gains Tax Hike



CGT rate increases from 30 October:

- Main rates of CGT (other than residential property) increase from 10% to 20% (basic-rate taxpayers) and 18% to 24% (higher and additional-rate taxpayers).
- CGT rate that applies to trustees and personal representatives increases from 20% to 24%.
- CGT rate on Business Asset Disposal Relief and Investors' Relief increases from 10% on disposals made on or after 6 April 2025, and from 14% to 18% for disposals made on or after 6 April 2026.

Capital Gains Tax Hike



Follows significant reductions in CGT allowances in recent years.

Capital Gains Tax Hike



Various strategies investors could consider to mitigate the impact of CGT attacks:

Capital Gains Tax Hike



Various strategies investors could consider to mitigate the impact of CGT attacks:

- Pensions and ISAs.
- Bed & ISA.
- Multi-asset funds.
- VCTs, EISs and SEISs.
- Gilts.

Pensions Tax Relief and Tax-free Cash

- One of the biggest stories ahead of the Budget centred on retirement savings incentives.
- Two potential reforms took up significant column inches:
 - Ditching higher-rate pensions tax relief.
 - Reducing or abolishing tax-free cash altogether.
- Neither reform materialised...but rumours impacted consumer behaviour.
- Significant increases in contributions and requests to access tax-free cash reported across the industry.



No UK ISA...

- Previous government proposed creating a new ‘UK ISA’ with an additional £5,000 of ISA allowance.
- Proposals received a “mixed response” from the industry...
- Labour promised ISA simplification and to increase use of Stocks and Shares ISA pre-election.
- UK ISA dropped in the Budget but yet to hear details of ISA simplification plans...

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...but Mansion House agenda continues...

- UK ISA is dead but the drive to 'Back Britain' through pension investments is very much alive.
- The 'Mansion House' agenda kick-started by the Conservative government is being continued and accelerated by the new Labour government.
- Initial focus on consolidating local government and defined contribution (DC) workplace schemes.
- Hope for government is this will lead to more investment in 'productive assets' that benefit the UK economy.
- Government steering clear of mandating how schemes invest for now...

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Tel: **0345 40 89 100**

Fax: **0345 40 89 200**

Email: **enquiry@ajbell.co.uk**

4 Exchange Quay, Salford Quays, Manchester M5 3EE

The Blue Fin Building, 110 Southwark Street, London SE1 OSU

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