CavanaghKelly

2025

Spring Statement

An Update on the Statement from the Chancellor

INTRODUCTION

The Chancellor Rachel Reeves commenced her Spring Statement with some welcome words – no further tax increases. Her focus was on funding HMRC to seek out, tax and penalise tax evasion.

Her plans to reduce public spending by upfront funding of restructuring of public services and additional cuts to Welfare spending may be seen by many as necessary for the taxpaying public to get value for their taxes.

The Chancellor's reference to the global economy becoming more uncertain is not a surprise in a world where, with friends like Trump's USA, who needs enemies? Meanwhile, Europe is finally coming to terms with the need to invest more in its own defence due to the threat posed by Putin. This means increased defence spending that will boost the UK's defence manufacturing sector.

The various policy decisions announced in the Spring Statement will result in an extra £14 million for the Northern Ireland Executive under the Barnett formula.

There is opportunity for Northern Ireland in the planned spending announced, as we have defence manufacturers and a construction industry that has shown itself to be agile in winning contracts in England.

The Northern Ireland Executive also has the opportunity to use the extra funds to start restructuring public services such as our health service.

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Late Payment Penalties

Late payment penalties will be increased for VAT and Income Tax Self-Assessment taxpayers as they join Making Tax Digital (MTD) from April 2025. The new rates will be:

- 3% of the tax liability where it is overdue by 15 days;
- An additional 3% of the tax liability where it is overdue by 30 days; and
- An additional 10% per annum where the tax liability is overdue by 31 days or more.

High Income Child Benefit Charge (HICBC)

From Summer 2025, the government will introduce a new digital service which will allow employed individuals to repay their HICBC. This will remove the administrative burden of completing a self-assessment tax return just to report the HICBC. Self-Assessment tax returns will also be pre-populated with Child Benefit data for those not using this service.

Making Tax Digital for Income Tax

Making Tax Digital (MTD) for income tax will be introduced in phases from April 2026. Sole traders and landlords with gross income above £50,000 from self-employment and property in their 2024-25 self-assessment tax return, will be required to use MTD for Income Tax from April 2026. From 2028 the government will expand this further to sole traders and landlords with income over £20,000.

This means the taxpayer must report their income and expenses digitally, each quarter to HMRC, using HMRC compatible software.

Investment in HMRC

The government previously announced its commitment to tackling non-compliance, including taking action against those who facilitate or promote tax avoidance schemes. Today the Chancellor issued further details and confirmed the government's commitment to reducing debt by enhancing HMRC's capacity. Investments are being made including a pilot program to recover aged debts, increased automation in debt collection and recruiting 500 more compliance staff.

Income Tax Return Requirements

From 6 April 2025, new mandatory tax return requirements apply as follows:

- Where a person starts or ceases to trade during a tax year, they must report the date of commencement/cessation in the tax return for that year. This requirement was voluntary but is now mandatory
- Notifying HMRC that the taxpayer is a director of close companies, which was previously a voluntary requirement, is made mandatory. The following information must be disclosed:
    - the name and registered number of the close company.
    - the value of dividends received from the close company for the year; and
    - their percentage shareholding in the company during the year.

VAT

No changes to VAT were included in the Spring Statement.

Stamp Duty Land Tax (SDLT)

There were no new changes to Stamp Duty Land Tax announced in the Spring Statement.

Other Duties and Levies

There were no changes to other duties and levies announced in the Spring Statement.

Individual Savings Accounts (ISAs)

The annual subscription limits are maintained at current limits for Adult and Junior ISAs and for Child Trust Funds from 6 April 2025 to April 2030.

The government is looking at options to reform ISAs to earn better returns for savers and boost the culture of retail investment and support growth. They are also working to deliver a new system to encourage people to invest.

The changes may include ways to encourage more people to invest in stocks and shares ISAs rather than cash ISAs.

Universal Credit

From April 2026, the Universal Credit Standard Allowance for both new and existing claimants will increase. The weekly standard allowance for a single person aged 25 and over will rise from £92 in 2025-26 to £106 in 2029-30.

This increase is small as it is over a 5-year period and is likely to be below the rate of inflation.

Personal Independence Payment (PIP)

As announced earlier this week, the assessment for the benefit will change with claimants requiring a minimum of 4 points in at least one activity to qualify for a daily living award. This will come into effect for new claimants from November 2026 and at the next award review following this date for existing claimants.

Construction-Focused Skills

The government has announced an additional investment of £2 billion towards social and affordable housing for 2026-27 in England. To support this initiative, they will allocate £625 million over the next four years to train skilled construction workers. This funding is expected to train up to 60,000 construction workers in England.

The funding will support construction-focused skills bootcamps, recruitment of new entrants, re-engagement with returning workers, upskilling existing workers, and the delivery of apprenticeships.

The Construction Industry Training Board (CITB) is doubling its New Entrants Support Team (NEST) programme to assist employers with the recruitment and retention of apprentices.

This is an English only investment with the Northern Ireland Executive receiving an equivalent amount under the Barnett formula.The Executive will have to decide whether to implement similar initiatives in Northern Ireland.

AUTUMN STATEMENT 2024 ANNOUNCEMENTS

BUSINESS TAXES

Corporation Tax

The main corporation tax rate remains at 25% for companies with profits of £250,000 or more. For companies with profits between £50,000 and £250,000, a marginal rate applies, whereas companies with profits up to £50,000 will continue to benefit from a small profits rate of 19%. It is important to note that the number of associated companies is taken into consideration in determining the thresholds at which companies will pay tax.

Capital Allowances

The Annual Investment Allowance (AIA) limit remains at £1 million, enabling businesses to deduct the full cost of qualifying capital investments in the year they are made, up to this threshold.

Full expensing is also available for qualifying assets, allowing companies to deduct 100% of the cost of qualifying plant and machinery from their taxable profits in the year of purchase. For assets that do not qualify for full expensing, such as long-life assets and integral features, businesses can apply a 50% first-year allowance (FYA), with the remaining costs available for deduction in subsequent years.

The 100% first-year allowance for new zero-emission cars and electric vehicle charge points is extended for a further year until 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.

Research & Development (R&D) Schemes

As expected, and after a period of upheaval with the combining of SME and RDEC schemes into the new Merged Scheme the Chancellor made no additional changes to HMRC's Research & Development regime. Rates remain the same with post-tax benefits to remain between 15% and 16.2%.

Employers National Insurance Contributions

As announced in the Autumn 2024 Budget, from the 6 April 2025 the rate of employer National Insurance Contributions increases from 13.8% to 15%.

The secondary threshold above which employees pay National Insurance is reduced from £9,100 to £5,000.

The Employment Allowance currently allows employers with NIC liabilities of £100,000 or less, in the previous tax year to deduct £5,000 from their employer NIC bill. From 6 April 2025 the Employment Allowance increases to £10,500 and the £100,000 limit is removed.

From April 2026, it will become mandatory for employers to use payroll software to report and pay income tax and Class 1A National Insurance contributions (NIC) on benefits in kind.

Company Cars

The cost for businesses and employers offering company cars to employees for personal use is increasing. For zero-emission vehicles, the benefit in kind rate will increase by 2 percentage points in both the 2028/29 and 2029/30 tax years. Meanwhile, tax rates for all other emissions bands will increase by 1% each year, reaching a cap of 38% in 2028/29 and 39% in 2029/30.

The van benefit charge and car and van fuel benefit charge also increases in line with CPI from April 2025.

Double Cab Pick-Ups (DCPUs)

From April 2025, double cab pick-ups with a payload capacity of at least one tonne, will be reclassified from a van to a car for capital allowances and benefits in kind purposes. HMRC will also consider the "primary suitability" of the vehicle at the time of manufacture to determine if the vehicle is mainly used for carrying goods or passengers. Under this test, it is expected that majority of DCPUs, with payloads over one tonne will be classified as cars.

For Benefit in Kind purposes, if an employer purchases, leases or orders a DCPU with a payload of over one tonne, before 5 April 2025, the current tax treatment will apply i.e. the vehicle will be treated as a van until the vehicle is disposed of, lease expires or 5 April 2029.

For capital allowance purposes, if expenditure has been incurred as a result of a contract entered into before 1 April 2025 (for corporation tax purposes) or 6 April 2025 (for income tax purposes) and the expenditure has been made before 1 October 2025, the current rules will apply i.e. the vehicle will be treated as a van.

With regards to VAT, nothing has changed and DCPUs will still be classified based on the payload and whether or not the VAT can be reclaimed.

PERSONAL TAXES

Capital Gains Tax

The Capital Gains Tax rates increased from 10% to 18% for lower rate taxpayers and 20% to 24% for higher rate taxpayers, for all disposals of assets including land, commercial property and shares made on or after 30 October 2024.

The Capital Gains Tax rate for disposals eligible for Business Asset Disposal Relief (BADR) and Investors' Relief increases from 10% to 14% for any disposals made on or after 6 April 2025. This rate will again increase from 14% to 18% for disposals made on or after 6 April 2026.

The current lifetime limit for BADR remains at £1 million and the lifetime limit for Investors' Relief of £10 million was reduced to £1m from 30 October 2024.

From 30 October 2024, there were changes to the Capital Gains Tax treatment on the liquidation of a Limited Liability Partnership (LLP). A capital disposal can now arise when an LLP is liquidated and assets a member has contributed are disposed of to the member, or to a company or other person connected to them.

Non-UK Domiciled Individuals

From 6 April 2025, the remittance basis for non-UK domiciled individuals will be abolished and replaced with a residence-based approach. This change has implications for both Inheritance Tax and Income Tax.

Abolition of the Furnished Holiday Lettings tax regime

As previously announced, the specific tax treatment and reporting for Furnished Holiday Lettings (FHLs) will be abolished from 6 April 2025 for individual owners and 1 April 2025 for corporate owners. Exemptions from finance cost restrictions and preferential capital allowances will no longer apply to FHLs.

The properties will be treated in the same way as other rented property.

Higher rates of SDLT on additional dwellings

Higher rates of Stamp Duty Land Tax for Additional Dwellings increased from 3% to 5% above the standard residential rates from 31 October 2024. The higher rates apply to purchases of second homes, buy-to-let residential properties and companies purchasing residential property.

The single rate of SDLT payable by companies when purchasing residential properties valued at over £500,000 also increased from 15% to 17%.

As previously announced, from April 2025 the thresholds are decreasing. The new thresholds are:

- Up to £125,000 0%
- The next £125,000 (the portion from £125,001 to £250,000) 2%
- The next £675,000 (the portion from £250,001 to £925,000) 5%
- The next £575,000 (the portion from £925,001 to £1.5 million) 10%
- The remaining amount (the portion above £1.5 million) 12%

Tax Rates

There were no new changes announced to the income tax rates or bands applying to all sources of personal income.

Tax Thresholds

The thresholds for income tax and National Insurance Contributions thresholds remain frozen. From April 2028 they will increase in line with inflation.

National Living Wage (NLW)

From 1 April 2025 the National Living Wage (NLW) and National Minimum Wage (NMW) increases are as follows:

- For individuals over 23 NLW will increase from £11.44 to £12.21 per hour
- For 21-22 year olds NMW will increase from £11.44 to £12.21 per hour
- For 18-20 year olds NMW will increase from £8.60 to £10.00 per hour
- For 16-17 year olds NMW will increase from £6.40 to £7.55 per hour
- The apprentice rate NMW will increase from £6.40 to £7.55 per hour

Starting Rate for Savings

The Starting Rate for Savings will be retained at £5,000 for 2025-26, allowing individuals with less than £17,570 in employment or pensions income to receive up to £5,000 of savings income tax free.

INHERITANCE TAX

Tax Free Thresholds
The current Inheritance Tax (IHT) tax-free thresholds remain fixed until the 2029-30 tax year.

Currently the thresholds allow the first £325,000 of an estate to be inherited tax-free, increasing to up to £500,000 if the estate includes a residence passed to direct descendants, and £1m when a tax-free allowance is passed to a surviving spouse or civil partner. The residence nil-rate band taper continues to start at £2 million.

Reform of Agricultural and Business Property Relief
Plans were announced in the Autumn Statement to reform two valuable IHT reliefs; Agricultural Property Relief ("APR") and Business Property Relief ("BPR"), which are available on qualifying business and agricultural assets.

From 6 April 2026, the 100% relief will continue for the first £1 million of qualifying agricultural and business property. A 50% rate will apply thereafter. In addition, the relief for shares designated as "not listed" on recognised stock exchanges, such as AIM, will be reduced from 100% to 50%.

The new rules apply for lifetime transfers on or after 30 October 2024, if the donor dies on or after 6 April 2026.

This new £1m allowance applies to the combined value of property in an estate eligible for 100% BPR and 100% APR. If the total value of the qualifying property exceeds £1 million, the allowance will be applied proportionately.

Any unused allowance cannot be transferred between spouses or civil partners. The allowance will apply to:

- Property in an estate at death
- Lifetime transfers to individuals within seven years before death
- Chargeable lifetime transfers with an immediate lifetime IHT charge, such as property transferred into a trust.

Trusts
Recently issued HMRC guidance confirms the £1m allowance does not apply to transfers into new trusts between 30 October 2024 and 5 April 2026 when assessing any lifetime tax liabilities. As a result, there is no limit on the amount of qualifying property that can be transferred to a trust during this period, offering a limited opportunity to make significant transfers of qualifying property into trust.

However, if the settlor passes away within seven years (and after 5 April 2026), the £1m allowance will apply when calculating the IHT liability on death.

Inheritance Tax on Pensions

The Government has also outlined their plans to remove the opportunity for individuals to use pensions as a vehicle for IHT planning. From 6 April 2027, most unused pension funds and death benefits will be counted as part of an individual's estate for IHT purposes. The responsibility will fall on the pension scheme administrators to report and pay any IHT owed. The consultation on these changes has now ended and we await the outcome to be published.

The new IHT regime means that many people need to reconsider their IHT plans, seek further specialised tailored tax advice and use that advice to update their wills accordingly.

RATES & ALLOWANCES TABLE

Personal Taxation

	2025/26	2024/25
Personal Allowance (Note 1)	£12,570	£12,570
Personal Savings Allowance		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	N/A	N/A
Property/Trading Allowance	£1,000	£1,000
Marriage Allowance (10% Relief) (Note 2)	£1,260	£1,260
Married Couples Allowance (10% Relief)		
Elder spouse born before 6 April 1935	11,270	11,080
Age allowance income limit (born before 6 April 1948)	37,000	37,000
Minimum allowance where income exceeds limit	4,360	4,280
Blind Person's Allowance	£3,130	£3,070
Rent A Room Relief	£7,500	£7,500

Note 1 - Personal Allowance will be removed at a rate of £1 for every £2 over £100,000 of income until it is completely removed.

Note 2 – Marriage Allowance is only available where one spouse does not pay tax and can transfer this allowance to their spouse who pays tax at the basic rate.

Income Tax

	2025/26	2024/25
Starting Savings Rate (Note 3)	0%	0%
On taxable income up to:	£5,000	£5,000
Basic Rate	20%	20%
On taxable income up to:	£37,700	£37,700
Higher Rate	40%	40%
On taxable income up to:	£37,701-£125,140	£37,701 - £125,140
Additional Rate	45%	45%
On taxable income up to:	£125,140	£125,140

Note 3 – The 0% savings rate is only available where an individual's taxable non-savings income is below the limit: a 0% tax rate applies to savings income up to the limit.

Dividends

	2025/26	2024/25
Dividend Allowance	0%	0%
On taxable income up to:	£500	£500
Basic Rate	8.75%	8.75%
On taxable income up to:	£501 - £37,700	£501 - £37,700
Higher Rate	33.75%	33.75%
On taxable income up to:	£37,701-£125,140	£37,701 - £125,140
Additional Rate	39.35%	39.35%
On taxable income up to:	£125,140	£125,140

National Insurance Contributions

Class 1: Employed Earners – Weekly Earnings	2025/26	2024/25
Employee		
Earnings up to £242	0%	0%
Earning between £242 and £967	8%	8%
Earnings over £967	2%	2%
Employer		
Earnings up to £96 (2025-26) and £175 (2024-25)	0%	0%
Earning between £96 and £967 (2025/26) & £175 and £967 (2024/25)	15%	13.8%
Earnings over £967	15%	13.8%
Employee Allowance	£10,500	£5,00

	2025/26	2024/25
Class 2: Self Employed Persons		
Weekly contribution rate (Note 4)	£3.50 (voluntary)	£3.45 (voluntary)
Lower profits limit	£12,570	£12,570
Class 3: Voluntary Contributions		
Weekly contribution rate	£17.75	£17.45
Class 4: Self Employed Persons - Annual Profits		
Profits up to £12,570	0%	0%
Profits between £12,570 and £50,270	6%	6%
Profits over £50,270	2%	2%

The Self-Employed persons pay NIC's on an annual basis at the end of the tax year.

Note 4 - From 6 April 2024, self-employed people with profits above £12,570 are no longer required to pay Class 2 NICs, but will continue to receive access to contributory benefits, including the State Pension. For profit between £6,845 and £12,570, self-employed individuals will continue to get access to contributory benefits and state pension by way of a credit without physically paying the national insurance. Those with profits below £6,725, can continue to pay Class 2 NIC voluntary in order to obtain the NIC credit.

Corporation Tax

	2025/26	2024/25
Rate applicable to all companies with taxable profits under £50,000	19%	19%
Rate applicable to all companies with taxable profits over £250,000	25%	25%
Annual Investment Allowance (AIA)	£1,000,000	£1,000,000

Note 5 – Companies with profits between £50,000 and £250,000 will be taxed at a marginal tax rate.

Note 6 – Larger businesses will benefit from Full Expensing.

Inheritance Tax

	2025/26	2024/25
Nil Rate Band	£325,000	£325,000
Residence Nil Rate Band	£175,000	£175,000
Lifetime Rate	20%	20%
Death Rate	40%*	40%*
*A lower rate of 36% will be charged where at least 10% of the estate has been left to a charity.		

Capital Gains Tax

	2025/26	2024/25
Annual Allowance	£3,000	£3,000
Standard Rate	18%	Between 6 April 2024 and 29 October 2024: 10% Between 30 October 2024 and 5 April 2025: 18%
Standard Rate (residential property)	18%	18%
Higher Rate	24%	Between 6 April 2024 and 29 October 2024: 20% Between 30 October 2024 and 5 April 2025: 24%
Higher Rate (residential property)	24%	24%
Business Asset Disposal Relief - effective rate	14%	10%
Business Asset Disposal Relief – lifetime limit of gains	£1,000,000	£1,000,000
Investors' Relief - effective rate	14%	10%
Investors' Relief - lifetime limit of gains	£1,000,000	Between 6 April 2024 and 29 October 2024: £10,000,000 Between 30 October 2024 and 5 April 2025: £1,000,000

VAT

	2025/26	2024/25
Reduced Rate	5%	5%
Standard Rate	20%	20%
Registration Threshold	£90,000	£90,000
Deregistration Threshold	£88,000	£88,000

Pensions

	2025/26	2024/25
Annual Allowance	£60,000	£60,000
Lifetime Allowance Charge	Not Applicable	Not Applicable
Money Purchase Annual Allowance	£10,000	£10,000
*Annual Allowance restricted to a minimum of £4k for individuals earning over £260k		

Stamp Duty Land Tax (SDLT)

Purchase of Residential Property - First Property Rate		
	2025/26	2024/25
£0 - £250,000	0%	0%
£125,001 - £250,000	2%	0%
£250,001 - £925,000	5%	5%
£925,001 - £1,500,000	10%	10%
Over £1,500,000	12%	12%
Purchase of Residential Property –Additional Property Rate		
	2025/26	2024/25
£0 - £125,000	5%	5%
£125,001 - £250,000	7%	5%
£250,001 - £925,000	10%	10%
£925,001 - £1,500,000	15%	15%
Over £1,500,000	17%	17%
Purchase by First Time Buyers		
	2025/26	2024/25
£0 - £300,000	0%	0%
£300,001 - £425,000	5%	0%
£425,001 - £500,000	5%	5%
£500,001 - £625,000	Normal Rates	5%
Over £625,001		Normal Rates
Purchase of Non-Residential Property		
£0 - £150,000	0%	
£150,000 - £250,000	2%	
Over £250,000	5%	
Lease of Non-Residential Property		
On the Net Present Value of Lease Payments		
(a) £0 - £150,000	0%	
£150,001 - £5,000,000	1%	
Over £5,000,000	2%	
(b) On Lease Premiums		
£0 - £150,000	0%	
£150,001 - £250,000	2%	
Over £250,001	5%	

Since 30 October 2024, an extra 5% surcharge is applied to purchasers of residential property in England and Northern Ireland who are non-resident in the UK. The surcharge also applies to purchases by UK Resident companies controlled by non-resident shareholders.

Stamp Duty

	2025/26	2024/25
Transfer of Shares & Marketable Securities	0.5%	0.5%

Income Tax Reliefs & Incentives

	2025/26	Income Tax Relief	2024/25 limit	Income Tax Relief
Enterprise Investment Scheme (EIS) – standard	£1,000,000	30%	£1,000,000	30%
Enterprise Investment Scheme (EIS) – additional for investments in knowledge-intensive companies only	£1,000,000	30%	£1,000,000	30%
Seed Enterprise Investment Scheme (SEIS)	£200,000	50%	£200,000	50%
Venture Capital Trust (VCT)	£200,000	30%	£200,000	30%

Taxable Car and Fuel Benefits

All cars	Petrol and Diesel (if RDE2 compliant)	Diesel (if not RDE2 complient)
Cars emitting below 50g/km CO2:		
- Electric range of >130 miles	3%	N/A
- Electric range of 70-129 miles	6%	N/A
- Electric range of 40-69 miles	9%	N/A
- Electric range of 30-39 miles	13%	N/A
- Electric range of <30 miles	15%	N/A
Cars emitting below 5g/km CO2:	16%	19%
For each additional 5g/km CO2:	1%	1%
Maximum benefit where CO2 at least 160g/km	37%	37%

Fuel benefit for cars is calculated by applying the relevant car CO2 emissions percentage to £28,200 (2024/25: £27,800).

As of 6 April 2025, the private use of vans attracts a scale charge of £4,020 (2024/25: £3,960) p.a..

Taxable fuel benefit for private use of a company van is £769 for 2025/26 (2024/25: £757).

Approved Mileage Rates for Employees Use of Own Vehicles for Business Travel

Cars/Vans	Pence per mile
- First 10,000 miles per annum	45p
- Excess over 10,000 miles	25p
- Each passenger making same trip	5p
Motorcycles	24p
Bicycles	20p

Advisory Fuel Rates for Employees Use of Company Car for Business Travel - From 1st March 2025

Engine Size	Petrol	Diesel	LPG	Electric
1,400 cc or less	12p		11p	7p
1,600 cc or less		12p		7p
1,401 cc - 2,000 cc	15p		13p	
1,601 cc - 2,000 cc		13p		7p
Over 2,000 cc	23p	17p	21p	7p

We have made every effort to ensure the information provided in this document is accurate, but we cannot accept responsibility for the consequences of any action you take in reliance on it contents. If you have any matters which you would like to discuss further, one of our staff will be pleased to help you.

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