Credit: Oxana A/ Shutterstock.com

TAX

Untangling the Autumn Budget

The protracted, rumour-filled wait for Rachel Reeves' second Budget finally revealed fewer headline tax changes in favour of a range of measures aimed at shoring up public finances.

Long gone are the days of 'Budget purdah' during which the government avoided giving the smallest clue about its Budget contents. The twelve-week period from Rachel Reeves announcing her end of November Budget date was awash with leaks and speculation. An armada of possible Budget measures floated into the media from the Downing Street environs, although some were later subject to torpedoes, fired from the same source. You could be forgiven for some confusion about which rumours sailed into the Chancellor's Budget speech and which sunk en route.

Once the Chancellor had abandoned a straightforward rise in income tax rates, it was inevitable that there would be a raft of tax changes. These complicate the tax system still further and make advice more important than ever. For example:

- **Income tax freeze extended:** A further three years have been added to the freeze on income tax bands and the personal allowances, taking it to the end of 2030/31 – one year longer than the rumour mill had suggested. The extended freeze will mean more taxpayers in general and more higher- and additional-rate taxpayers specifically.

  If you are married or in a civil partnership, you should review whether you can save tax by transferring the ownership of investments (and thus their income and capital gains) to your spouse/partner. There may also be scope for reducing taxable income without reducing your spendable income by restructuring how you hold your investments. If you are an owner director of a private company, changing the way you extract profits could be beneficial.

- **Salary sacrifice to change:** A £2,000 cap on the amount of salary that can be tax-efficiently sacrificed for pension contributions will be introduced from 2029/30. Any amount over the cap will be liable to national insurance contributions for both employer and employee.

  This may appear a buy-now-while-stocks-last opportunity, but while pensions remain highly tax-efficient, very large contributions may push some individuals above the lump-sum allowance, limiting how much tax-free cash they can take at retirement. With IHT rules changing from April 2027, those