CREATE FINANCIAL MANAGEMENT

HOYL Independent Advisers

DECEMBER 2025 NEWSLETTER

KEY 2025/26 FINANCIAL DATES

DECEMBER

17th – Latest inflation figures released
The Consumer Prices Index (CPI) report is released, tracking everyday prices to show cost-of-living trends.

18th – Final Monetary Policy Committee (MPC) meeting of the year

JANUARY

1st – New energy price cap in effect

31st – Self-assessment tax deadline
Self-assessment tax returns and any tax owed must be filed and paid by this date.

FEBRUARY

5th – first MPC meeting of the year

Autumn Budget 2025 Overview

Welcome to our final quarterly update of 2025! As you might expect, much of our focus this time is on the Autumn Budget Statement.

After weeks of speculation, the Chancellor's statement brought few surprises. Headline tax rates remain unchanged, with fiscal tightening coming mainly through frozen tax thresholds, pension adjustments, and property measures - most of which take effect later, leaving some uncertainty around their impact. Markets barely reacted: gilt yields held steady, and sterling edged up slightly in the days that followed.

While Rachel Reeves' statement will dominate headlines for a while, its impact on a well-diversified multi-asset portfolio should be limited. Most of our portfolios include UK equities - with a tilt toward smaller companies - and gilts, but these sit alongside a broad mix of assets across regions and sectors, helping ensure resilience and diversification.

Politics can create short-term noise, but our Investment Committee and investment partners remain focused on economic fundamentals - the real drivers of markets over the medium to long term. Risks remain, such as elevated valuations in some areas and market concentration, but we see a 'just-right' scenario as most likely: central banks supporting modest growth without reigniting inflation, and a private sector strong enough to absorb shocks thanks to limited leverage.

Against this backdrop, we expect a constructive environment and modest positive returns across risk assets in the months ahead. **Let's now take a closer look at some of the changes announced, and what they could mean for you in the months and years ahead.**

We've pulled together the key points from the Chancellor's Autumn Budget Statement, focusing on pensions and investments. These changes may affect planning in the months ahead, so here's what you need to know:

Pensions

National Insurance Changes for Salary Sacrifice

From April 2029, the current exemption from National Insurance (NI) on pension contributions via salary will be capped at **£2,000 per year**. Employees can still contribute more than £2,000 through salary sacrifice, but **NI will apply to any amount above £2,000 per year.** Income tax relief will continue on contributions above £2,000, but **both employers and employees will pay NI** on the excess.

The new cap means that the **maximum National Insurance saving from salary sacrifice will be**:

- **Employees**: 8% of £2,000 = **£160 per year**
- **Employers**: 15% of £2,000 = **£300 per year**

Employers will need to **update payroll systems** to ensure NI is charged on any contributions above the £2,000 cap. Further guidance from HMRC is expected in due course.

New Inheritance Tax (IHT) Process for Estates Containing Pensions (From 6th April 2027)

A new feature will help **Personal Representatives (PRs)** manage estates that include pensions where **IHT may be due**. If PRs reasonably expect IHT to apply, they can instruct **Pension Scheme Administrators (PSAs) to withhold 50% of the taxable benefits for up to 15-months** from the date of death.

PRs can then direct PSAs to **pay IHT to HMRC** before releasing the remaining benefits to beneficiaries. If the instruction is withdrawn or the 15-month period ends, any remaining funds can be paid out. This will **not apply** to exempt benefits, funds under £1,000, or continuing annuities. PRs will also be **discharged from liability** for pensions discovered after HMRC clearance.

This change will be legislated in the **Finance Bill 2025-26** and effective from **6th April 2027**. More guidance is expected following HMRC's recent workshops with industry held in early December.

No changes to Tax-Free Cash or Pension Tax Relief

Tax-free cash rules remain unchanged - the maximum amount an individual can access from all pensions is still **25%**, subject to their remaining **lump sum allowance** and **lump sum and death benefit allowance**. **No changes to pension tax relief** were announced.

State Pension Updates Announced

The Chancellor announced **simplified tax for Pensioners (from 2027-28)**:

• Pensioners whose sole income is the basic or new State Pension (without increments) will no longer need to pay small amounts of tax via Simple Assessment. Further details to be published next year.

• In line with earnings growth, the basic and new State Pension will rise by **4.8%** from April 2026, benefiting over **12 million pensioners** with gains up to **£575 each during 2026-27**.

• From April 2026, access to the **Class 2 Voluntary National Insurance contributions (VNICs)** will end for those living abroad with limited UK connection. To qualify, individuals will need **10 years of UK connection**, limiting cheap access to the UK State Pension.

Legislation will be laid before Parliament before **6th April 2026**, alongside a wider review of VNICs.

Investments and tax

Income Tax and Dividend Tax Changes

The UK income tax thresholds (and the equivalent National Insurance thresholds) will remain **unchanged until 5th April 2031**. This extended freeze means more people could move into higher tax bands over time - a phenomenon known as 'fiscal drag'.

From 6th April 2026, the **ordinary rate** applying to dividend income will **rise from 8.75% to 10.75%**, and the **upper rate** from **33.75% to 35.75%**. The **additional rate** will remain at **39.35%**. The **£500 dividend allowance** will continue to apply.

These changes could impact investors relying on dividend income, so reviewing tax-efficient strategies, such as pensions and ISAs will be important.

Savings and Property Income Tax Changes

From 6th April 2027, the **savings income tax rates will rise** from **20%, 40% or 45%** to **22%, 42% or 47%** respectively. This will increase the notional tax credit on onshore bonds to **22%** and tax deducted at source on interest will rise to **22%**.

The personal savings allowance will remain at **£1,000 (basic rate taxpayers)** and **£500 (higher rate taxpayers)**. The £5,000 starting rate for savings will remain frozen until **5th April 2031**.

Property income tax rates will have its own **separate tax rates from 6th April 2027**. The **basic** property rate will be **22%**, the **higher** rate will be **42%** and the **additional** rate will be **47%**.

ISA Updates Announced

The annual ISA allowance will remain at **£20,000**, with the **Lifetime ISA allowance at £4,000** and the **Junior ISA allowance at £9,000**, all frozen until **5th April 2031**.

From April 2027, **investors under 65** will only be able to put a maximum of **£12,000** into a **Cash ISA**. The remaining **£8,000** must go into a **Stocks & Shares ISA**. Investors **over 65** can still invest the full **£20,000** into a Cash ISA. Financial services firms will need to provide **easy-to-use tools** to help investors choose suitable UK investments.

In **2026**, the Government will consult on replacing the **Lifetime ISA** with a **simpler ISA** for individuals saving to buy their first property.

Inheritance Tax Updates

The **nil rate band will be frozen at £325,000** and the **residence nil rate band at £175,000** for an additional year until **April 2031**.

The **£1,000,000 business and agricultural allowance** for 100% relief will be **transferable between spouses and civil partners**. This allowance will remain **frozen at £1,000,000 until April 2031**.

Venture Capital Trusts

The income tax relief will **reduce** from **30%** to **20%** from **6th April 2026**.

We're here to help you

We know changes announced in the Budget can sometimes feel overwhelming, but please rest assured that we're here to guide you every step of the way.

Our team is committed to helping you navigate any adjustments with clarity and confidence, and your adviser will take any relevant changes into account when they next review your plans, ensuring everything remains on track and aligned with your goals.

If you have any questions or concerns, don't hesitate to reach out to your dedicated adviser — we're always here to help and support you.

And finally

As we celebrate and give thanks at this time of year, we want to express our sincere gratitude to you, our valued clients, for your loyalty and continued trust in our business.

It has once again been an honour and privilege to assist you with your financial planning throughout the year, and we look forward to continuing to help, advise, and support you in 2026.

Until then, all of us here extend our deepest thanks and warmest wishes for a joyful holiday season and a healthy, prosperous new year!

Don't Wait for Easter – Start Planning for Tax Year End Today!

Easter treats might feel early when they appear in our supermarkets - but it's never too early to start planning for the end of the tax year!

Easter might be the one time it's wise to put all your eggs in one basket - but the steps you take now can help you make the most of your annual allowances and maximise your tax savings.

If you're considering selling an asset or making gifts to relatives, please get in touch with your adviser as soon as possible.

Proper planning and timing are crucial, as these actions can significantly impact your tax liability.