



2025 BUDGET SUMMARY

Our Experts' Insights on the 2025 UK Autumn Statement

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Introduction.

Amidst a persistently challenging fiscal backdrop for the UK government, this year's Budget provided a surprisingly mixed result for entrepreneurs and owner managed businesses.

On the one hand, many of the more fundamental tax changes that had been leaked to the press were not introduced: income taxes on earned income remain unchanged (albeit frozen at current levels until April 2031), inheritance taxes were saved from further (negative) changes, and the widely speculated exit tax – to be applied on individuals leaving the UK – also was not implemented.

On the other hand, there are still several fundamental changes to contend with. From April 2027, a 2% increase in income taxes will apply for property, savings and dividend income. Further tax rates bring additional complexity to the tax system, and will impact business owners and landlords in particular. Announcements that the government will tax pension salary sacrifice to NICs will also impact business owners, albeit only from April 2029 onward. And the changes to employee ownership trusts, restricting tax relief to 50%, makes a popular exit route for entrepreneurs less tax efficient (but still highly favourable).

But alongside these tax changes, there also appears to be some genuinely positive news, as unlike in previous Budgets the government have adopted a (well deserved) renewed focus on entrepreneurship in the UK. Several tax changes were introduced specifically to benefit UK scale up businesses: increasing the limits for EMI share schemes, so larger businesses can provide staff with equity tax efficiently; making EIS and VCT relief more widely available for investors in the UK; and the publication of a policy consultation document to see how the government can further support UK based entrepreneurialism.

These are promising – albeit early – steps in the right direction. We hope to see more many measures focused in this area, and continued consultation with UK entrepreneurs and owner managed businesses, who – as it seems the government is beginning to recognise – form the beating heart of the UK economy.

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Personal taxes.

Personal allowances.

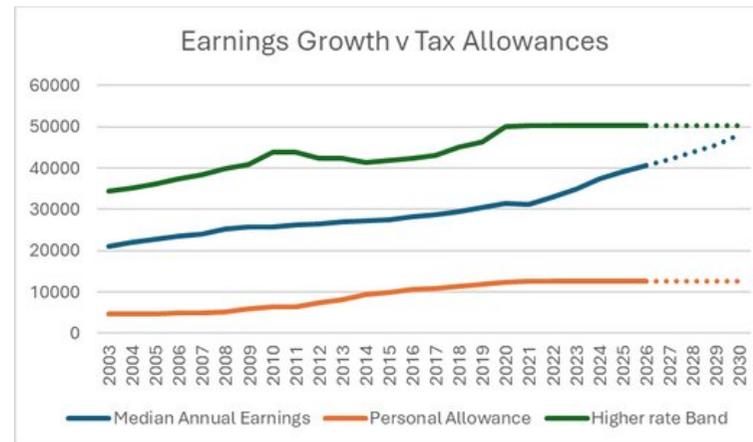
Despite early speculation regarding a potential increase in income tax rates, the Chancellor discounted this prior to the budget. However, as predicted, income tax and national insurance thresholds remain frozen:

- Income tax personal allowance, basic rate threshold and additional rate thresholds are frozen at £12,570, £50,270 and £125,140, respectively, until April 2031.
- The NICs secondary threshold is also frozen until April 2031. This threshold was reduced from £9,100 to £5,000 as part of the changes to NICs announced by the Chancellor in 2024.

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It is forecast that these changes will see an additional 4.2 million individuals paying income tax, with 3 million more paying tax at the higher rates in 2029/30. The OBR estimates that the freeze on income tax allowances alone will raise over £38 billion a year in 2029/30.

The table below demonstrates the effect of the freezing of allowances on an individual earning the average salary for the UK.





Student loan threshold.

The repayment threshold for Plan 2 student loans will also be frozen at £29,385 for three years from April 2027.

Increases to income tax rates on property, savings, and dividends.

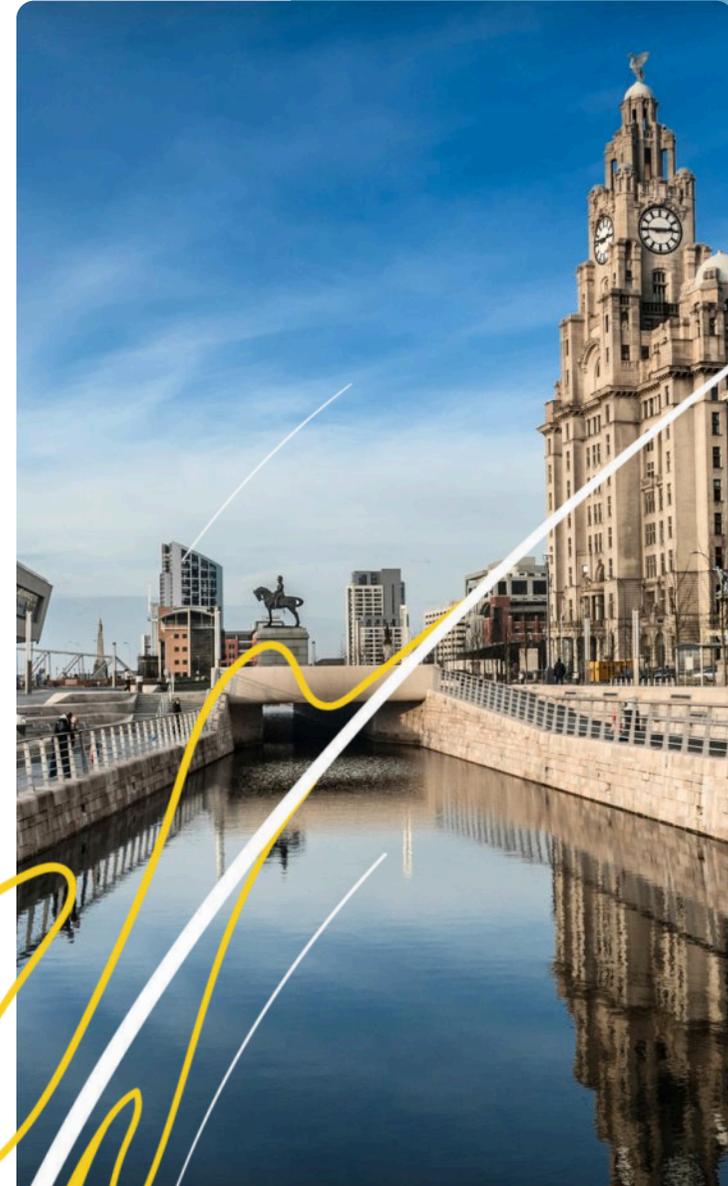
Property.

The government is introducing increased tax rates, which will apply to income from property.

From April 2027, the property basic rate will be 22%, the property higher rate will be 42%, and the property additional rate will be 47%. Due to existing rules restricting the tax deductibility of financing cost, relief will be provided at the basic rate of 22%.

For landlords with annual gross property income of more than £1,000, they can still benefit from either using the tax-free £1,000 property allowance or deducting relevant expenses.

Similarly, the existing Rent a Room Scheme, which lets individuals earn up to a threshold of £7,500 per year tax free from letting out furnished accommodation in their home, remains unchanged.





Savings.

The government is also increasing the rates of income tax applicable to savings income. From April 2027, the savings basic rate will be 22%, the savings higher rate will be increased to 42% and the savings additional rate will be increased to 47%.

Lower earners still benefit from the Starting Rate for Savings and can receive up to a further £5,000 on top of their Personal Allowance without paying tax.

The Personal Savings Allowance also remains unchanged, allowing basic rate taxpayers to receive £1,000 of interest without paying tax, with higher rate taxpayers to receive £500 tax-free.

Dividends.

Finally, from April 2026, the rates of income tax applicable to dividends is also increasing. The ordinary rate will be increased by 2 percentage points to 10.75% and the upper rate will be increased by 2 percentage points to 35.75%. The additional rate will remain unchanged at 39.35%.

All taxpayers still benefit from a dividend allowance which allows individuals to earn up to £500 of dividend income each year without paying tax.

Ordering of income tax reliefs and allowances.

Along with the changes to investment income tax above, reliefs and allowances will only be applied to property, savings, and dividend income (which are now taxed at higher rates) after they have been applied to other sources of income (which are taxed at ordinary rates).



If you have any questions about the points raised in our Budget Summary, please contact your local Xeinadin advisor.



Pensions.

Pension contributions and salary sacrifice changes.

Changes have been introduced, effective from April 2029 onward, which will restrict the advantages of salary sacrifice on pension contributions.

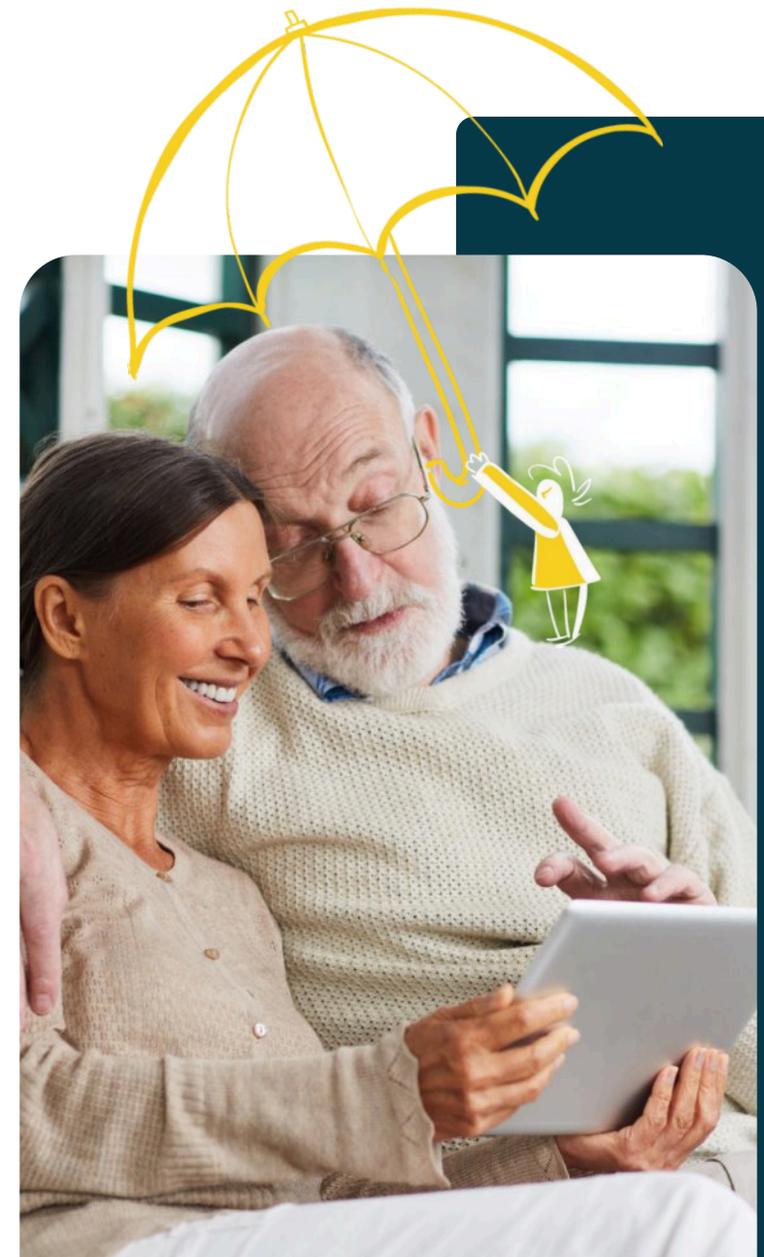
Salary sacrifice is the scheme through which employees may elect to reduce their gross salary - or sacrifice a bonus - and, in return, the employer pays the sacrificed amount into a pension on behalf of the employee.

From April 2029, only the first £2,000 of salary sacrificed pension contributions each year will be fully deductible against income tax and NICs. Any amounts above this will be subject to national insurance for both the employee and employer.

All employer pension contributions will continue to be free of NICs.

Employers and employees may wish to consider renegotiating remuneration packages, so that the employer makes greater contributions. However, employees should be aware of the impact that this can have on the ability to obtain mortgages, claim benefits, and receive redundancy payments should their circumstances alter in the future. Additionally, employers should be aware that there are rules in force requiring any changes to be negotiated with the entire workforce, limiting the ability to implement changes on a case-by-case basis.

Tax Free Childcare or Child Benefit contributions made via salary sacrifice are not impacted by these changes.



If you have any questions around Pensions and how our expert team can help, please get in touch at: hello@xeinadin.com



High value council tax surcharge.

Council tax surcharge on homes valued at >£2m.

A new High Value Council Tax Surcharge is to be introduced for high-value homes in England, from April 2028 onward:

- Applies to residential properties worth £2 million+
- Charged in addition to normal council tax, based on updated property valuations (council tax bands value at 1991 levels)
- Collected by local authorities, but revenue is for central government, to be used to support local government funding

The measure is designed to make the highest-value properties contribute more, correcting the current situation where a typical B and D band property in parts of Northern England may pay more council tax than a vastly more valuable property located in Westminster.

The tax charge will initially be set at £2,500 each year for properties valued at or above £2 million, increasing to £7,500 for those properties valued in excess of £5 million.



ISA changes.

The ISA subscription limits are frozen until 5th April 2031:

- ISAs: £20,000
- Lifetime ISA (LISA): £4,000
- Junior ISA / Child Trust Fund: £9,000

However, a new ISA cap will apply, limiting how much of the £20,000 limit can be in cash for most savers:

- From 6th April 2027, the annual cash ISA limit will be £12,000 (for those under 65).
- The remaining £8,000 (if you use the full £20k) would have to be in stocks & shares or other non-cash ISA investments.

This new cash limit will not however apply to savers aged 65 and above.

State pensions for non-residents.

With a view to preventing perceived unfairness in the state pension system, relating to the ability of non-residents to access and benefit from the state pension in the UK, new restrictions have been announced.

From 6th April 2026 non-residents will no longer be able to pay voluntary Class 2 NICs to improve their position in relation to UK state pension. Additionally, the initial residency or contributions requirement to pay voluntary Class 3 NICs outside of the UK will increase from 3 to 10 years.

If you have any questions about these changes, get in touch with our friendly team at: hello@xeinadin.com



Capital gains.

Changes to Employee Ownership Trusts .

The Government has announced changes to the capital gains tax relief for disposals to Employee Ownership Trusts (EOT) effective immediately. The relief which previously provided a full exemption from capital gains tax on the sale of a trading company to a qualifying Employee Ownership Trust, will now be limited to only 50% of the gain arising, leaving half of the gain subject to tax.

Despite the changes, the exemption remains valuable in the context of a shareholder who wishes to sell their shares to an EOT. Even with the changes, vendors can reduce their capital gains tax to an effective rate of 12% on a qualifying sale.

This change follows a tightening of the rules last year (from 30th October 2024) which aimed to prevent anti-avoidance in this area. As a reminder, the changes last year introduced several sensible measures, requiring the EOT to be UK tax resident, for trustees to be independent and for any price paid for the shares to be at a fair value.

Share for share exchanges .

A further tightening of the anti-avoidance legislation surrounding share for share exchanges will be introduced from the 26th November 2025. This will typically affect corporate restructuring projects which can include group reorganisations, management buy-outs or any company sale where the consideration includes shares in the acquiring company. The measures appear to go further than the current anti-avoidance measures and are designed to block arrangements that are designed to avoid Capital Gains Tax or Corporation Tax. The new rules will apply where the main purpose, or one of the main purposes, of the arrangement is to secure a tax advantage that they would not otherwise have been entitled to.

Whilst these new anti-avoidance rules are not intended to apply to ordinary commercial transactions, the application of a motive test does nonetheless bring an additional level of uncertainty. We therefore welcome further guidance from HMRC on the intended application of these measures.

Incorporation relief.

Where a business is transferred from a sole trader or partnership into a limited company, this would typically be deemed to be a transfer at market value and crystallize a tax charge. This tax charge can effectively be deferred where certain conditions are met, including that the consideration received takes the form of shares in the limited company. This is known as incorporation relief.

Previously, where the conditions for the relief were satisfied, the relief applied automatically. With effect from 6th April 2026, the individuals transferring the business will now have to actively claim the relief for it to apply, providing an additional layer of visibility for HMRC.

If you have any questions around what the new changes to CGT mean to you and how our expert team can help, please get in touch at: hello@xeinadin.com





Inheritance tax.

BPR / APR lifetime allowance.

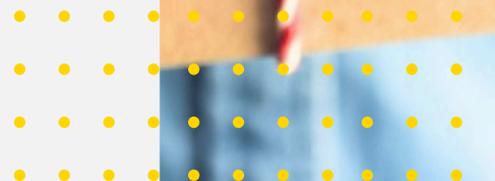
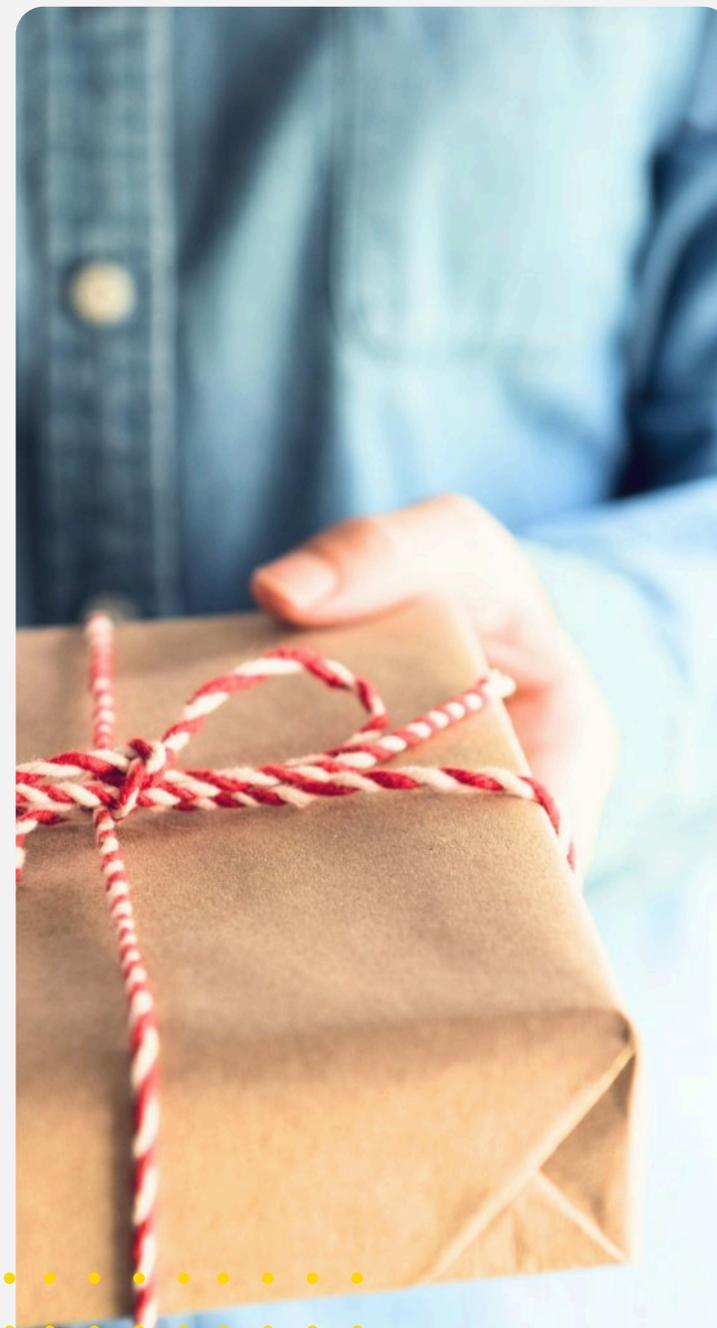
From April 2026, key inheritance tax reliefs – business property relief (BPR) and agricultural property relief (APR) – will face restriction. Historically, the full value of qualifying assets could potentially be relieved from inheritance tax at 100%. This relief will however soon be limited to £1 million per tax payer.

Qualifying assets held in the death estate (or on trust) that exceed the £1 million lifetime allowance will, from April 2026 onward, benefit from tax relief at only 50%. This represents a significant change in the taxation of estates and trusts in the UK.

When these rules were first announced, it was confirmed that the £1 million lifetime allowance would not be transferable between spouses and civil partners. This required a very particular approach to will planning, to ensure each spouse would benefit from the full £1 million allowance.

However, it has now been announced that the lifetime allowance will in fact be transferable between spouses and civil partners, allowing for the unused portion of the allowance to be used in the estate of the surviving spouse or civil partner.

Affected taxpayers may need to consider their will, and broader estate planning measures, to ensure their estates maintain tax efficiency in light of these new rules.





Other changes to Agricultural Property Relief.

Legislation will be introduced to prevent Inheritance Tax avoidance for long term non-UK residents, through certain perceived loopholes related to potential “enveloping” of agricultural property.

From April 2026, agricultural property situated in the UK - but held via non-UK entities - will be treated as a UK asset for inheritance tax purposes. This will bring these assets into line with treatment of UK residential properties held in UK offshore structures.

For agricultural assets within trusts, these rules will be applied to determine inheritance tax exit charges from Budget Day (26th November 2025).



If you have any questions about Agricultural Property Relief, please contact your local Xeinadin Advisor.



Trust taxation for long-term residents.

Changes announced in the 2024 budget brought excluded property trusts - offshore trusts established by those regarded as non-domiciled under the former rules - within the scope of the UK "relevant property" regime, if a settlor was regarded as a long-term resident in the UK (and therefore subject to UK inheritance taxes).

An individual is considered long-term resident when they have been resident in the UK for 10 years or more years out of the last 20. Under the relevant property trust regime, the trustees are required to pay a decennial tax cost, at rates of up to 6% every ten years.

Announcements in the budget have included a cap on relevant property inheritance tax charges for trusts, which held excluded property at 30th October 2024. The relevant property charges are capped at £5m over each 10 year cycle.



The reform also included transitional protections for former non-domiciled individuals. Non-UK property in former excluded property trusts will not be brought into Inheritance Tax on the death of said individual, known as the settlor of the trust.

In practice, long-term resident settlors who are able to benefit from an excluded property trust are likely to still suffer income tax and capital gains tax consequences, and therefore these measures may be insufficient in preventing the UK from becoming an unattractive long-term place of residence to former non-domiciled individuals.



Vehicles.

Vehicles were a hot topic in the Budget this year, particularly changes surrounding EV and PHEV vehicles – there was mixed environmental messaging from the policy changes announced, with seemingly favourable announcements for petrol/diesel vehicles and a mixed bag for EV vehicles as their popularity increases.

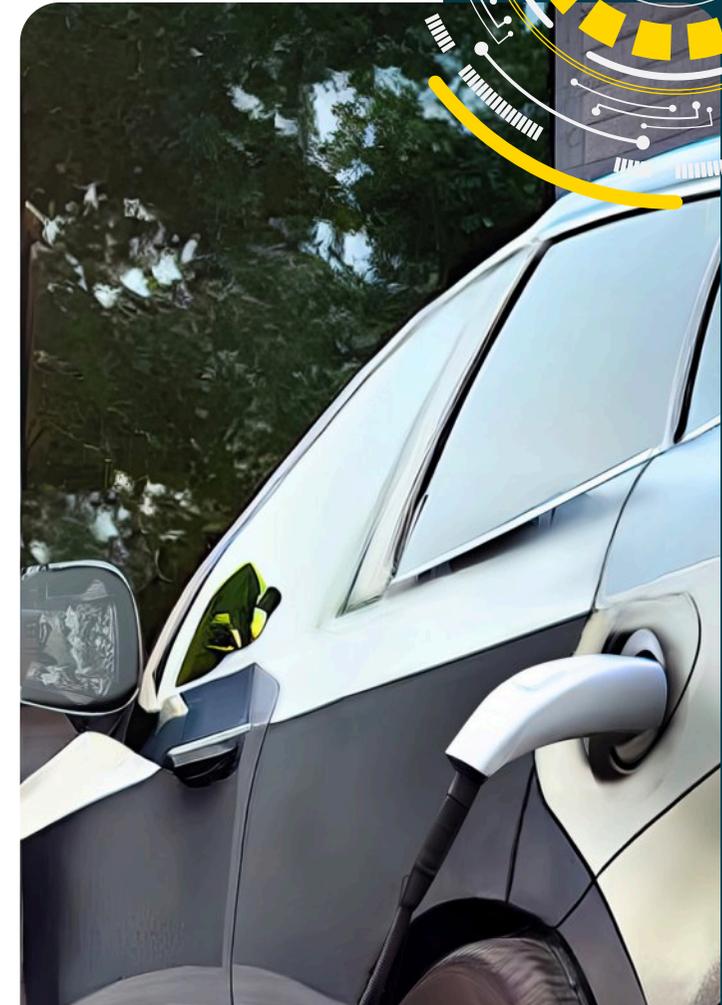
Mileage based charge on electric and plug-in hybrids.

The government is creating a new charge called electric Vehicle Excise Duty (eVED), much like a fuel-duty equivalent levy for battery electric and plug-in hybrid cars.

Key details:

- Effective from April 2028.
- Introduces a pay-per-mile based system, with the rates will be set at 3p per mile for EVs and 1.5p per mile for PHEVs and is likely to be payable annually to the DVLA alongside RFL.
- The aim is to create a more consistent tax treatment between electric and conventional vehicles as fuel duty revenues decline.

As an example, for an electric vehicle travelling 10,000 miles a year the charge will see around £300 collected by the DVLA, estimated upfront.



If you have any questions around what the Budget means for motorists, please get in touch at: hello@xeinadin.com

This measure links with two other government policies affecting electric vehicles:

1. VED Expensive Car Supplement (ECS) threshold increase

From April 2026, the price threshold for electric cars to be charged the ECS will rise to £50,000, meaning more electric cars will avoid the extra VED charge applied to high-value vehicles.

2. Extension of the Electric Car Grant

The grant - worth up to £3,750 per eligible electric car - will continue until 2029–30, helping reduce the upfront cost of purchasing an EV.

BIK easements for plugin hybrid company cars.

Where employees are provided with company vehicles for personal use, a benefit in kind (BIK) charge applies. Employers pay a national insurance charge on the BIK and employees pay income tax at their marginal rate on the same amount.

The BIK on plugin hybrid company cars has changed retrospectively from 1st January 2025 to 5th April 2028. This measure is intended as an easement for taxpayers, given the introduction of the stricter emissions test now brought in.

PHEVs previously taxed at low BIK rates (because of low CO₂ and good electric-ranges) would see their BIK and associated taxes jump significantly due to new emission standards.

During the easement period, the CO₂ emission figure for certain PHEVs will be deemed to be a nominal figure for the purposes of the benefit in kind charge rather than the CO₂ figure on the registration document. This will have the effect of reducing the value of the benefit-in-kind charge that applies.

It's not currently been clarified what these nominal figures for BIK purposes will be, or how the retrospective treatment will be dealt with practically (given that P11Ds up to 5th April 2025 have already been submitted).

We await clarification from the Government on these matters.



Increase in high value threshold for electric vehicles.

The UK government has announced an increase in the high value threshold for electric vehicles, raising the threshold from £40,000 to £50,000, effective from April 2026 onward.

The “Expensive Car Supplement” (ECS), currently adds roughly £425 per year for cars above the threshold, on top of standard vehicle tax. Raising the threshold means more EVs will avoid that surcharge, making them more affordable long-term.

Freezing fuel duty.

The government will keep fuel duty frozen until September 2026 continuing the long running freeze.

After September 2026, the temporary 5p-per-litre fuel duty cut will be gradually reversed. By March 2027, the 5p reduction will have been fully removed, returning fuel duty to its pre-2022 level.

Motability changes.

Luxury vehicles are to be removed from the Motability scheme, alongside other changes, including discontinuing the inclusion of overseas breakdown cover and reducing the lease mileage limit.

This is intended to bring Motability leases in line with those available commercially to most people.



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Employees.

Minimum wage increase.

The Government has announced the 2026 increases to the National Minimum Wage, including the National Living Wage. These will be effective from April 2026 and are as follows:

	NMW rate from April 2026	Increase (£)	Increase (%)
National Living Wage (21 and over)	£12.71	50p	4.1
18-20 Year Old Rate	£10.85	85p	8.5
16-17 Year Old Rate	£8.00	45p	6.0
Apprentice Rate	£8.00	45p	6.0
Accommodation Offset	£11.10	44p	4.1

Apprenticeships for under 25s employed by Small and Medium Sized Enterprises (SMEs).

The Government has made further commitments to the funding of apprenticeship training costs, by committing to fully fund training for qualifying apprenticeships for 16-25 year-olds within the SME sector.



Capital allowances.

The Chancellor announced a range of changes to capital allowances, affecting both companies and unincorporated businesses.

- From April 2026, the main writing-down allowance (WDA) rate will be reduced from 18% to 14%. Capital expenditure, currently within the existing tax “pool” will be subjected to a slower rate of relief as a result. A hybrid rate of WDA will apply for accounting periods spanning this change – companies could consider a change of year end to manipulate a higher hybrid WDA rate, however the benefit of this will be relative to the size of the expenditure in the period.
- From 1st January 2026, a new 40% first-year allowance (FYA) is to be introduced. The key difference to existing reliefs, is that the new 40% FYA rate is available for assets purchased by businesses whose main trade is the onward leasing of these assets, whereas the current AIA allowance and full expensing don't cover these types of assets. Acquisitions of assets used for leasing should be considered if possible until 1st January 2026. This allowance is not available on second hand assets and cars.
- The extension of the 100% FYA zero emissions and charge points allowance to 31st March 2027 - these were due to close at 31st March 2026.



Scale-up business reliefs and incentive schemes.

As a part of a package to scale up small business relief and extend incentives to a greater number of companies and employees, the Chancellor announced expansions to 3 key incentives.

Extending EMI thresholds for companies .

The EMI share option limits are increasing from April 2026, offering attractive benefits to larger companies wishing to provide an equity entitlement to staff members, not just start-ups and smaller entities:

- The employee limit (i.e. number of employees a company can have to offer EMI) will increase to 500 employees (from the previous threshold of 250).
- The maximum size of a qualifying company, based on gross assets, test will increase to £120 million.
- The company-share-option limit (total value of share options outstanding under EMI) will be raised to £6 million.
- The holding period for EMI shares will be extended — maximum holding period increases to from 10 years to 15 years, meaning employees have longer to exercise their options and receive beneficial tax treatment before they lapse.
- The government plans to remove the EMI notification requirement (i.e. the need to formally notify HMRC when EMI options are granted), reducing administrative burden for firms and avoiding unnecessary error when setting up schemes.



Planning.

Larger companies can now qualify for EMI, with cutbacks on the effectiveness of salary sacrifice to employee pension schemes; companies could look to share schemes such as EMI to incentivise and remunerate key performers.

We await further detail regarding existing EMI options which have a 10 year life on whether action is needed to extend these or if it applies automatically. Companies with existing EMI options granted should review the changes and make sure current option agreements are in line with the changes.

Changes to EIS and VCT.

Significant updates to the UK's investment and tax relief framework for startups have been announced. For those companies seeking equity funding, EIS and VCT provide a valuable tax relief to incentivise investors. The limits have been generously increased from April 2026:

- **The annual investment limit** for both EIS and VCTs will increase to £10 million (from £5m), with a £20 million limit for Knowledge Intensive Companies.
- **The lifetime investment limit** will rise to £24 million for KICs and £40 million for Knowledge Intensive Companies.
- **Gross Assets Test:** The gross assets test will increase to £30 million (from £15m) before share issue and £35 million (from £16m) after share issue.

However, it is not all positive - the VCT income tax relief will be reduced from 30% to 20%.

Planning.

By increasing the EIS and VCT limits, the government aims to boost the real value of these incentives, helping both early-stage and scaling companies. The lower VCT Income Tax relief rate is designed to better align VCT and EIS reliefs and to encourage funds to focus on higher-growth investments, however, to take advantage of the current 30% VCT relief rate before it drops, look to invest pre April 2026, subject to overall tax liability of the specific tax year.



Tax compliance.

Corporate tax penalty changes.

The flat penalties for late Corporation Tax (CT) returns, unchanged since 1998, are being increased from April 2026 onward. Inflation has roughly halved their real value, which is considered to have weakened their deterrent effect.

The new increased levels of penalties will apply to CT returns with filing dates on or after 1 April 2026.

New penalty amounts.

First late return:

- Late: penalty rises from £100 to £200.
- More than 3 months late: penalty rises from £200 to £400.

Where there have been three successive late filings:

- Late: penalty rises from £500 to £1,000.
- More than 3 months late: penalty rises from £1,000 to £2,000.

Compliant companies that file on time will of course see no change. Noncompliant businesses and civil society organisations will however face higher penalties if they continue to file CT returns late.



For guidance on how the Budget impacts tax compliance, please contact us at: hello@xeinadin.com

Strengthening HMRC powers over tax advisers.

From 1st April 2026, the Government will implement changes to strengthen HMRC's ability to address deliberate non-compliance facilitated by tax advisers. Under the revised legislation, HMRC will be able to issue a file access notice where there is reasonable suspicion that a tax adviser has deliberately assisted clients in evading or avoiding tax.

Penalties will be strengthened to cover not only failure to comply but also the provision of inaccurate information. HMRC will also be able to seek tribunal approval to increase penalty amounts where appropriate. A new, dedicated penalty framework will be introduced to sanction advisers who are proven to have deliberately facilitated non-compliance in their clients' tax affairs.

HMRC will gain powers to publish information about tax advisers subject to these sanctions. Tax advisers will also be required to register with HMRC from May 2026.

Loan charge settlement opportunity.

Following a recently concluded review into this area, the Government is to introduce a new settlement opportunity for those who have been impacted by the disguised remuneration loan charge (anti-avoidance designed to tackle tax avoidance schemes) and have not settled their position with HMRC.

The settlement opportunity will substantially reduce the amount that they have to pay, particularly those with the lowest liabilities (typically those on the lowest incomes). It is recommended that those that are affected engage with HMRC and their professional advisers, to take advantage of this opportunity.

Strengthening measures against of tax avoidance.

The Government is introducing a series of measures aimed at tightening the rules around those who promote or enable marketed tax avoidance. These changes will strengthen HMRC's ability to monitor, restrict, and penalise promoters and associated parties.

A raft of new measures in this area have been announced, reaffirming the Government's continued commitment to increased funding in this area.



For guidance on how the Budget impacts tax compliance, please contact us at: hello@xeinadin.com



Indirect taxes.

VAT Compliance.

There were a range of measures in this Budget indicating the government's further movement towards compliance management and increasing use of digital tools to management revenue collection.

Digital prompts for VAT and Corporation Tax.

The government will invest £59 million in new technology over the next five years to provide taxpayers with real-time digital prompts for VAT filing software from April 2027, and Corporation Tax filing software from April 2028.

E-invoicing.

The government will require all VAT invoices to be issued in a specified electronic format from April 2029. The government will work with stakeholders to develop an implementation roadmap to be published at Budget 2026.

VAT penalties.

The government will increase the penalties due for late payment of VAT from 1st April 2027 (more details to follow).

VAT & Indirect tax changes.

VAT within Motability Schemes.

From July 2026 vehicles leased through Motability Schemes or equivalent schemes will be subject to VAT at 20%.

Suppliers of private hire and taxi services.

From 2nd January 2026, travel businesses (including private hire and taxi operators) will be excluded from the Tour Operators' Margin Scheme (TOMS). This scheme has been used extensively by private hire operators Uber and Bolt, to reduce their VAT exposure. HMRC were unsuccessful in challenging this through the Courts, leading to this legislative change. However, this will also impact travel businesses more broadly.



Low value imports.

From March 2029, the government will remove the customs duty relief on goods imported into the UK valued at £135 or less, making them subject to customs duty. The government is consulting on implementing a new set of customs arrangements for these goods.

Inevitably, this will increase the costs of imported goods from overseas (typically online) suppliers or retailers, relative to UK-based entities, and is seen as levelling the playing field.

Soft drinks industry levy (SDIL).

The government intends to reduce the threshold at which the SDIL applies from 5g to 4.5g sugar per 100ml and remove the exemptions for milk-based and milk substitute drinks with added sugar (such as milkshakes) to create a level playing field between pre-packaged beverages.

These reforms will be implemented on 1st January 2028, following consultation on the legislation. Open cup beverages, such as those bought in cafes, will remain unaffected.

Tobacco duty rates.

Duty rates on all tobacco products will increase by RPI inflation +2 ppts. These changes will take effect from 6pm on 26 November 2025. The one-off increase of £2.20 per 100 cigarettes or 50g of other tobacco products and annual uprating of tobacco duty by RPI + 2 ppts next year will take effect from 1st October 2026 and will be included in Finance Bill 2025-26.

Remote gaming duty.

Will increase from 21% to 40% from 1st April 2026. A new Remote Betting Rate will be introduced at 25% from 1st April 2027 within General Betting Duty. This new rate will not apply to self-service betting terminals, spread betting or pool betting. Remote bets on horseracing will be excluded from these changes and remain taxed at 15%.

An area of tax reduction is that Bingo Duty will be abolished from 1 April 2026.



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