

Navigating the numbers: Budget update and tax year end planning



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Learning objectives

At the end of this session, you'll be able to:

- Outline the changes announced in the November 2025 Budget.
- Describe how the freezing of tax bands will mean more people will be caught in tax traps, and how paying a pension contribution can help.
- Demonstrate how to calculate unused annual allowance using carry forward and what the pitfalls are.
- Explain the changes to the taxation of savings from April 2026.

Budget 2025 highlights

- Changes to salary sacrifice – from 2029
- Freezing of tax bands
- Options for paying IHT charge from 2027
- State pension changes
- Changes to savings rates of tax and ISA
- Mansion tax.



Salary sacrifice changes



Employer NI increase

Increase from 13.8% to 15%



Threshold reduced from £9,100 to £5,000



From 6th April 2025

Employer NI increase

Employment allowance increased to £10,500



Employment allowance available to all eligible employers

Budget November 2025

Restricting National Insurance (NI) savings to the first £2,000 of salary sacrificed from April 2029



Will impact both employees and employers

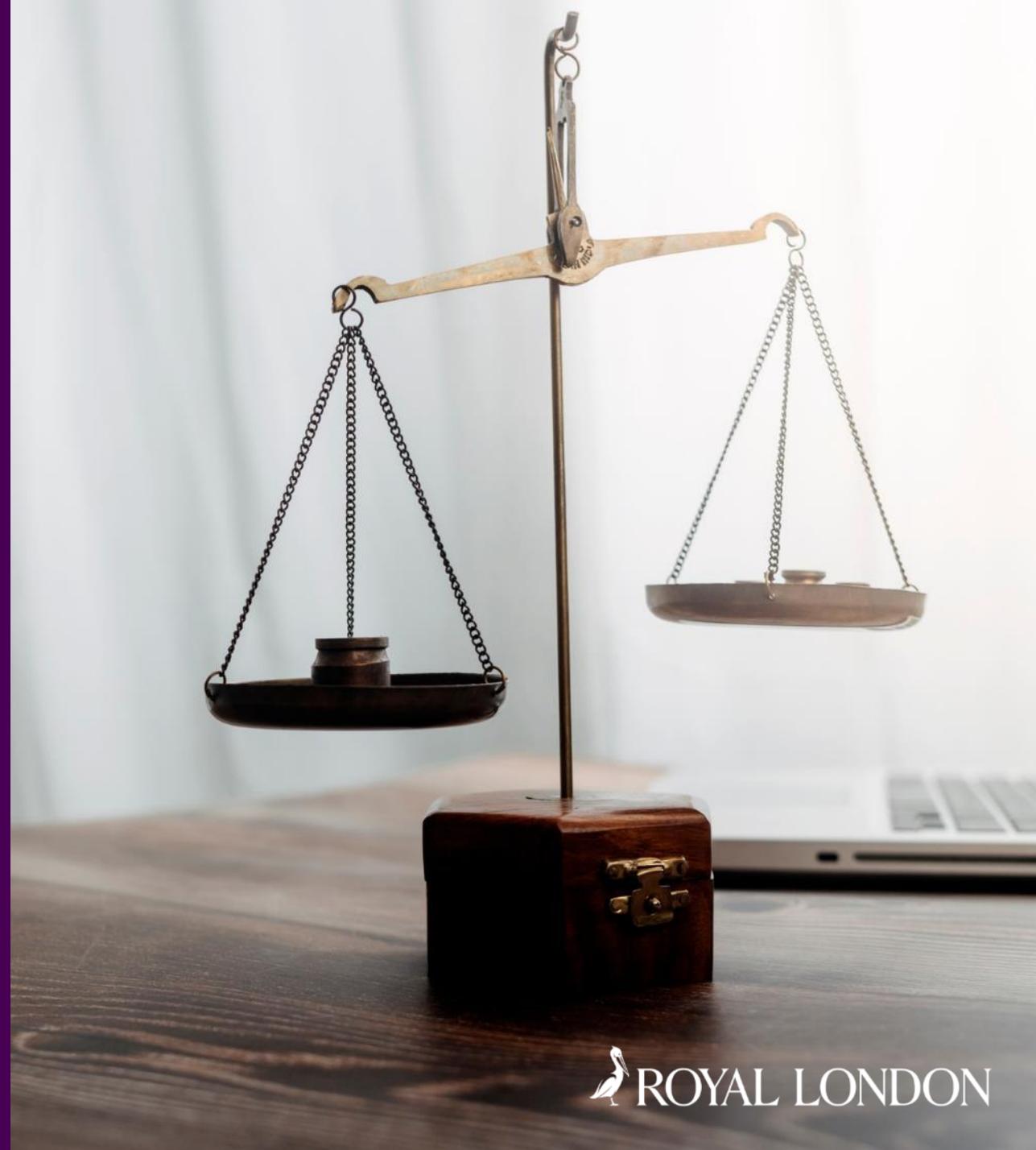
Impact on National Insurance

5% Employee contribution

Salary	£35,000	£45,000	£70,000	£100,000
5% Pension contribution	£1,750	£2,250	£3,500	£5,000
Employee NI saving (pre 2029)	£140	£180	£70	£100
Employer NI saving (pre 2029)	£262.50	£337.50	£525	£750
Additional NI costs Eee (post April 2029)	£0	£20	£30	£60
Additional NI costs Eer (post April 2029)	£0	£37.50	£225	£450

Salary sacrifice benefits will remain

- Still tax relief
- £2k will cover many
- No need to claim tax relief
- Still 3 years away.



Salary sacrifice changes 2029



Planning Point:

Keep up to date with changes
and prepare for 2029

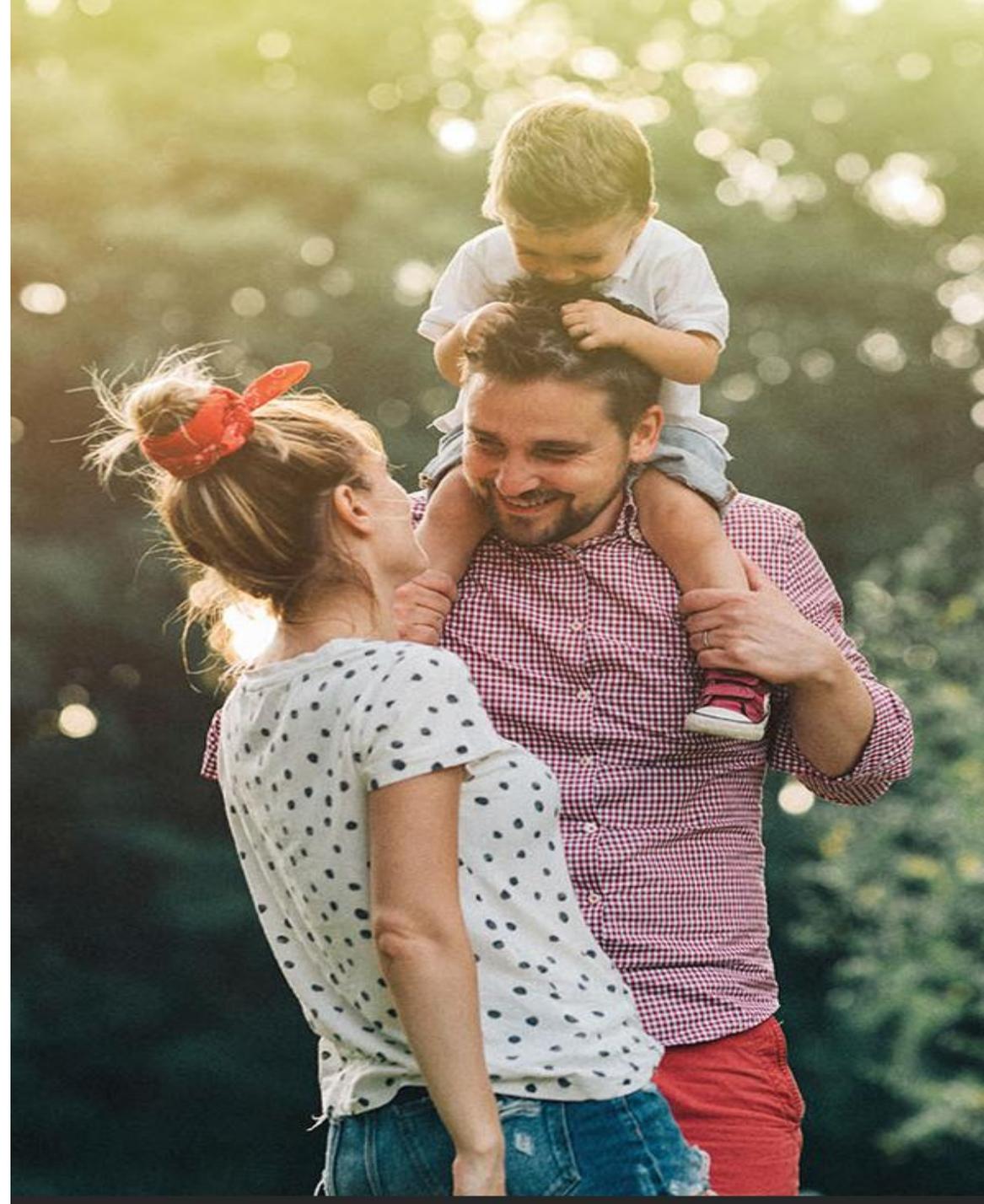
Teetering on the £100k cliff edge



Ashley & Michael

- Live in London
- Twin 2-year-old boys
- Ashley earns £95k per annum, Michael earns £60k per annum
- Government's Free Childcare for Working Parents*
- Government's Tax-Free Childcare scheme*
- Ashley offered new job with £25k per annum increase
- Ashley's dilemma – should she take it?

*Source: <https://www.gov.uk/free-childcare-if-working>



Personal allowance tax trap

- Adjusted net income
- Personal allowance tax trap
- Remember differences in Scotland
- Net increase £10,500.



Childcare support cliff edge

Free Childcare
for Working
Parents scheme

30 hours per week for 38 weeks = $\text{£}8.43^* \times 30 \times 38 \times 2 =$
- £19,220.40

Tax Free
Childcare
scheme

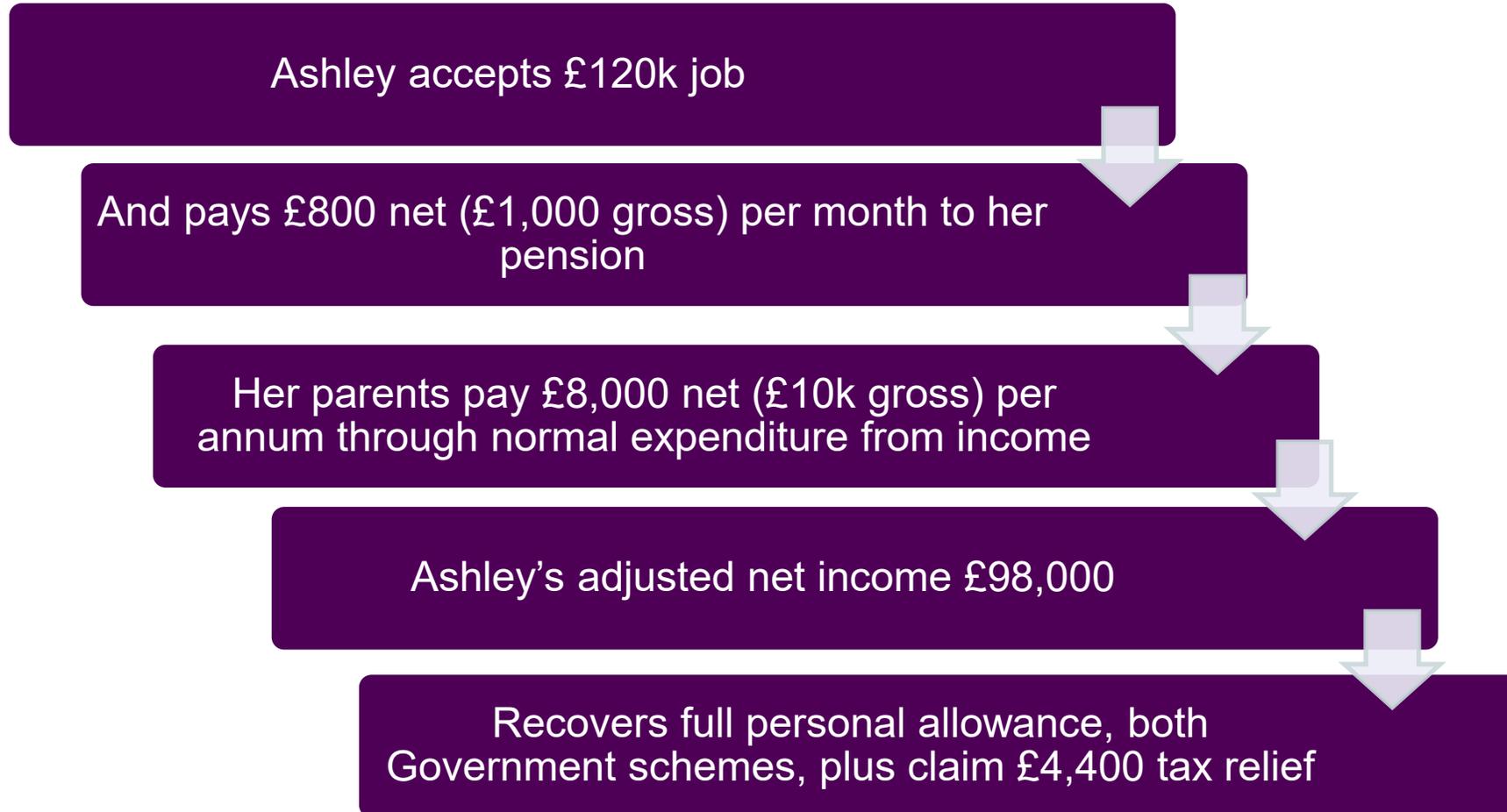
£2,000 per child =
- £4,000

Ashley's net
loss

$\text{£}10,500 - \text{£}19,220.40 - \text{£}4,000 =$
- £12,720

* Average nursery cost per hour in London is £8.43 <https://www.childcare.co.uk/costs/RM3>

Pensions to the rescue



Pensions to the rescue

Total gain

Adjusted net income after pension contributions	£98,000 (£3,000 increase)
Net salary increase after tax and NI	£8,932
Tax relief claimed back on pension contributions	£4,400
Government childcare support	£23,220
Gross pension contribution	£22,000
Sub total	£58,552
Less net pension	-£17,600
Plus £12,629 Ashley would have been worse off	£12,629
Total gain	£56,781

322.6% return on net pension contribution

Personal allowance/Government Childcare schemes



Planning Point:

Watch out for any client approaching
the £100k cliff edge

IHT applying to pensions



Options for paying the IHT charge



Pay from the free estate



Pension beneficiaries instruct the pension scheme administrator to deduct charge



Pension beneficiaries take benefit in full and pay charge directly



Personal representatives instruct pension scheme administrator to withhold 50% of the funds



Carry forward



Carry forward

Need to be a member of a pension scheme in the year of carry forward

Still need relevant earnings for individual contributions

Remember taper and MPAA

Remember change in annual allowance

No need to tell HMRC but keep records

Meet Sam

- She is a director and receives a salary of £10,000.
- She tops this up with dividends.
- She has paid £5,000 into her pension each year for the last few years but wants to pay the maximum she can without an annual allowance tax charge applying.
- This will be an employer contribution.
- She hasn't paid anything in this year yet.
- The taper or MPAA do not apply.



Sam's available annual allowance

Tax year	Annual allowance	Total contributions	Carry forward available	Carry forward used	Carry forward remaining
2022/23	£40,000	£5,000	£35,000	0	£35,000
2023/24	£60,000	£5,000	£55,000	0	£55,000
2024/25	£60,000	£5,000	£55,000	0	£55,000
2025/26	£60,000	£0	£60,000	0	£60,000
				Total	£205,000

Carry forward



Carry forward



Planning Point:

Be aware of the pitfalls and know how to prepare

State pension changes



State pension changes

Triple lock increases new state pension by 4.8% to £12,547.60



Those only receiving state pension will not pay tax from 2027

Savings rate changes



Savings rate changes

April 2026 – Dividend income tax 10.75% at the ordinary rate and 35.75% at the upper rate

April 2027 – Property income tax 22% basic, 42% higher and 47% additional rate

April 2027 – Savings income tax 22% basic, 42% higher and 47% additional rate

Order of taxation

- Income
- Property
- Savings
- Dividends.



ISA changes from 2027

- Overall limit still £20,000 until 2031.
- Cash ISA limited to £12,000 for under 65s.
- Rules to prevent the cash limit being exceeded will be introduced.



Savings rate changes



Planning Point:

Be aware of the changes and
when they're happening

High value council tax surcharge (HVCTS)



High value council tax surcharge

- A new annual surcharge on residential properties in England valued at £2 million or more.
- With effect from April 2028, in addition to council tax.
- Earmarked for local services.
- Includes main homes, second homes, and high-value rentals.



High value council tax surcharge

Bands and charges from April 2028

Property Value Band (£m)	Annual Surcharge (£)
2.0 – 2.5	£2,500
2.5 – 3.5	£3,500
3.5 – 5.0	£5,000
5.0+	£7,500

* Charges will rise annually from 2029/30 in line with CPI inflation.

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