

## Beyond the Leaks: What the November Budget Really Means

The November 2025 Budget was notoriously surrounded by a deluge of leaks (not least, the publication of the Office for Budget Responsibility report just 40 minutes before the Chancellor took to the floor). Some might say that “no news is good news”. In the case of this Budget, the real news was arguably that the changes announced, whilst significant on a long-term fiscal basis, were very different from the proposals that had been mooted.

Many of the potential substantive measures which were the subject of intense pre-budget conjecture were not included in the Chancellor’s speech. Set out below are our preliminary observations. Now that some draft legislation has been published, as always, the devil will be in the detail. It is significant that what was not included is at least as important as what was included.

### Inheritance Tax (“IHT”)

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Despite speculation to the contrary, there will be no changes to the “seven-year survivorship” rule for lifetime gifts: that is to say, unlimited gifts can be made to individuals which are free of IHT if the donor survives for seven years. However, neither will there be any much-needed increases to the Nil Rate Band (the threshold at which IHT becomes payable on estates which has not changed since 2009) or to the Residence Nil Rate Band.

**However, the Chancellor did announce some changes:**

- **Agricultural Relief and Business Relief (“APR/BPR”)**

What little hope there was of the Chancellor rowing back on the APR/BPR measures was extinguished. The only small concession for farmers and business owners is that the £1 million APR/BPR 100% relief allowance will now be transferable between spouses and civil partners. This will apply even if a person’s spouse died prior to April 2026. The detail of how this will operate (for example, whether the first spouse needs to have some qualifying assets) will need to be reviewed once the updated draft legislation is released.

As a result of this change, the combined inheritance tax allowances for a married couple could be £3 million. However, these thresholds will remain frozen until 2031 (at the earliest), so inflation will continue to bring more families within the scope of inheritance tax.

The bigger issue remains - for many business owners this is the prospect of a 20% IHT charge on their business with either limited means to pay the tax or having to extract funds to do so, which in turn will be subject to tax.

There is a window of opportunity before April 2026 to undertake some planning to potentially mitigate the tax. With certainty around the gifting rules clients should take the time to determine what their options are before it is too late.

It is not just business owners – trustees also face the prospect of additional compliance and tax liabilities they did not otherwise have. Some trusts benefit from transitional rules and trustees should undertake a review before April 2026 to determine whether they can take advantage of these.

- **Pensions**

Announced in the previous budget, from April 2026 any unused pension and lump sum benefits are to be subject to IHT, which personal representatives will be liable to pay. Under the original proposals, that would be the case notwithstanding the fact that they may not have knowledge of or access to the pension funds. Following significant lobbying, there has been explicit acknowledgment that this could make administering an estate very difficult.

The Chancellor stated the proposed rules will be amended so personal representatives will be able to direct pension scheme administrators to withhold 50% of taxable benefits for up to 15 months and pay the IHT due directly to HMRC in certain circumstances. Personal representatives will also be relieved of the liability to pay IHT on pensions discovered after they have received clearance from HMRC. Needless to say, whilst not perfect, this change is a move in the right direction of making inheritance tax on pensions workable. Further feedback and consultation continue.

- **Excluded Property Trusts**

In the draft legislation there was some positive news for former non-UK domiciled clients who have chosen to stay in the UK and accept long-term resident (“LTR”) status (or those that have left but would like to return) and who had settled significant trusts before 30 October 2024. The Government will introduce a cap of £5 million on relevant property trust charges for such pre-30 October 2024 excluded property trusts. Broadly speaking, the effect of this will be to limit the 10-year anniversary charges/exit charges for excluded property trusts worth more than around £83 million (backdated to 6 April 2025).

- **Indirectly-Held Agricultural Property**

The Government will legislate that UK agricultural property held by non-UK entities is treated as UK situate for inheritance tax purposes, in the same manner as UK residential property. These amendments are intended to take effect for trusts from Budget Day but only for deaths from 6 April 2026. How this will operate in practice and what will constitute agricultural property for these purposes will be important.

- **Charity Exemption**

The charity exemption will be restricted to direct gifts to UK charities and clubs, excluding gifts to be held on charitable trusts (which may not meet a wider definition of charity, with certain jurisdiction, registration and management tests). These changes are set to take effect from Budget Day for lifetime gifts and for deaths from 6 April 2026.

## Capital Gains Tax (“CGT”)

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There will be no change to the current rates or to the “tax free uplift” on death or to the application of Principal Residence Relief.

- **Protected Cell Companies (“PCC”)**

Taking effect from the Budget Day, there are technical changes to the legislation for non-resident capital gains tax, with property held in PCCs being the target of the changes. In particular, when considering whether a PCC is property rich (and therefore within the scope of taxation) the legislation now requires consideration of the individual cell rather than the PCC as a whole. This may have an impact for some property investors.

- **Residence of Personal Representatives**

For CGT purposes, the definition used for determining whether personal representatives are UK resident has been tightened and now will only apply if the deceased was UK tax resident at the date of death (rather than if the deceased was UK tax resident or a UK LTR at the date of death). This change applies retrospectively from 6 April 2025 and should mean fewer personal representatives are within the scope of UK CGT.

## Stamp Duty Land Tax (“SDLT”)

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Despite significant rumours, no changes were announced to SDLT. Rates and exemptions remain unchanged.

## Income Tax

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Limited by the Government's manifesto commitment, the Budget only contained targeted rate increases for dividend income, savings income and rental income (see below). However, the Chancellor also prolonged the freeze on tax rates and thresholds until 2031, which will mean that more people will be pulled into paying income tax at the higher rates by fiscal drag.

- **Dividend Income**

There will be an increase of 2% for the ordinary and upper rate from April 2027 to 10.75% and 35.75% respectively, whilst the additional rate of 39.35% will remain the same.

The notional tax credit that non-UK residents receive for the tax that they are treated as having paid at the ordinary rate on dividends from UK companies will be abolished for distributions received on and after 6 April 2026.

From 6 April 2026, an anti-avoidance measure will take effect to bolster the temporary non-residence ("TNR") rules which are designed to prevent individuals from becoming non-resident temporarily to avoid income tax and CGT. There is currently no charge to tax if such an individual receives a distribution or dividend from 'post-departure trade profits' (profits that accrue to the company after the individual left the UK). The extent to which a dividend or distribution is related to post-departure trade profits is determined on a just and reasonable basis. The announced measure removes the concept of 'post-departure trade profits' from the TNR rules meaning that all distributions or dividends received from a close company whilst an individual is temporarily non-resident will be chargeable to UK income tax if caught by TNR rules.

- **Rental Income**

A new separate rate of income tax will be created for property income (income from the letting of land and buildings). This represents a 2% increase on the standard income tax rates being 22%, 42% and 47% for basic, higher and additional rates respectively.

- **Savings Income**

There will be an increase of 2% across all bands from April 2027 such that savings income will be taxed at the same rates as rental income.

## Council Tax – High Value Council Tax Surcharge (“HVCTS”)

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With effect from April 2028, a new HVCTS will be levied on properties valued at £2 million or more as set out below:

Threshold (£ Million)	Annual Charge (£)
2 – 2.5	2,500
2.5 – 3.5	3,500
3.5 – 5	5,000
5 +	7,500

Properties will be charged based upon their 2026 value and the charge will increase with CPI inflation from April 2029 onwards. In an acknowledgement that this charge may put some people into hardship, there will be a consultation on a support scheme as well as reliefs and exemptions.

## Anti-Avoidance Measures Applicable to Share Reorganisations

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There are amendments to the applicable anti-avoidance rules the effect which will need to be carefully considered for any future planning. There are transitional rules where clearance has already been obtained but otherwise the changes are effective immediately. Any recently obtained advice in this area will need to be reviewed.

## Immigration

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In an acknowledgement that the current immigration rules do not align with the Government's attempts to entice high-talent new arrivals, it is now noted that the Government will hold a consultation regarding how to enhance its offer for ambitious new arrivals to the UK.

## Taxation of Offshore Structures

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Finally, and a taste of things to come, the Chancellor announced an “ambitious reform and substantial simplification” of the personal tax anti-avoidance rules that can attribute the income and gains of non-UK resident trusts and companies to settlors, beneficiaries and participators. Whilst we do not expect to receive any draft legislation for some time, we welcome a simplification and clarification of the existing rules. A consultation on this has been in place for some time. Any proposed changes will need to be reviewed with care.

*These notes do not contain or constitute legal advice, and no reliance should be placed on them. If you have any questions, please contact Maurice Turnor Gardner LLP.*

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