# Budget 2025 Key Measures

*26 November 2025*

1. Today, the Chancellor laid out updated spending plans in the Autumn Budget, drawing on revised economic forecasts from the Office for Budget Responsibility (OBR).

2. While much of the focus in budget reporting will be on changes to personal taxation (through freezing tax rates), and the removal of the 2-child benefit cap, there are significant changes for business (and to a lesser extent, the built environment) elsewhere in the budget. Key measures are outlined below.

**Economic outlook**

3. The OBR forecasts that GDP will grow by ~1.5% per year over the forecast period, 0.3% lower than previously expected, due to lower forecast productivity growth. Inflation is also expected to be slightly higher than previously forecast, at 3.5% in 2025 and 3% in 2026, before reaching the Bank of England's 2% target in 2027.

4. Unemployment is expected to remain at around 5% until 2027, before falling to 4%. Household disposable income growth will also slow, from 3% in 2024-25 to around 0.25%, while business profits are forecast to fall from 12.5% in 2022, to 10.75% in 2023, before returning to around 11%.

5. The implications of this outlook are that the Chancellor has sought to raise tax receipts, to enable continued investment to boost economic growth. Broadly, this is in line with the approach seen in the 2024 Autumn Budget, and the 2025 Comprehensive Spending Review.

**Business and employment**

6. From 1 April 2026, the National Living Wage will increase by 4.1% to £12.71 per hour for eligible workers aged 21 and over. The National Minimum Wage for 18-20 year olds will also increase by 8.5% to £10.85 per hour and for 16-17 year olds and apprentices by 6.0% to £8.00 per hour.

7. Business rates will be reduced – from 2026-27, the small business multiplier will be 43.2p (38.2p for retail, hospitality and leisure property) and the standard multiplier 48p (43p for RHL). At the same time, there will be a revaluation, which will result in some rates increases. £4.3 billion is being made available to support those businesses facing overall increases, including £500 million for small business. Relief will also be available for businesses expanding into a second property.

8. Government will cap National Insurance relief on salary sacrifice into pension schemes to the first £2,000 of pension contributions per person from 2029 (i.e., employees who contribute up to £2,000 into their pension each year via salary sacrifice can continue to benefit in full, but employee and employer NICs will be charged the amount above £2,000).

9. Corporation tax will be maintained at 25%, alongside the full expensing announced last year.

**Skills**

10. The CSR allocated £1.5 billion to employment and skills. Government has confirmed that this includes £725 million to support apprenticeships for young people, including a change to fully training for apprentices under 25 years old working in small businesses.

11. Additionally, Government will guarantee a six-month paid work placement for 18–21-year-olds who have been on Universal Credit and looking for work for 18 months.

**Capital investment**

12. Government remains committed to large-scale infrastructure investment. Much of the focus in the budget was on new integrated settlements for Mayoral Strategic Authorities, worth £13 billion, to deliver growth and public services priorities, aligned to local needs.

13. In addition, government confirmed central funding for various other projects, including:
    - £900 m for the lower Thames crossing
    - Establishing 250 new Neighbourhood Health Centres across England, of which 120 will be operational by 2030
    - Creation of a Leeds City Fund as a 25-year Business Rates Retention Zone

**Built Environment**

14. Government is committing £48 million to further boost capacity in the planning system, including recruiting an extra 350 planners in England by expanding the Pathways to Planning Graduate Scheme and creating a new Planning Careers Hub to retain and retrain mid-career professionals.

15. Government is also scrapping the paper permissions stage for judicial reviews impacting major infrastructure projects and removing the right to appeal for cases totally without merit. Government is exploring further measures to accelerate planning cases.

16. As previously trailed, £1.3 billion of National Housing Delivery Fund money will be allotted to Mayoral Strategic Authorities, across Greater Manchester, Greater London, Liverpool City Region, the North East, South Yorkshire, West Midlands and West Yorkshire within wider integrated settlements to support local growth. MSAs will also be able to bid for around £7 billion through the successor to the Affordable Homes Programme.

17. Government is increasing tax paid on income from property, dividends or savings. 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% (all up 2%)

18. Additionally, houses worth £2 million or more will be subject to a "high value council tax surcharge", to be paid by the owner, with charges starting at £2,500 per year, rising to £7,500 per year for properties valued above £5 million. This will be based on updated valuations of high-value properties.

19. Government is also working to support the release of surplus Ministry of Defence land, to deliver 100,000 homes over the next decade, with £ 9 billion funding.

20. The government will strengthen HM Revenue and Customs powers to tackle fraud within the Construction Industry Scheme. The Government is also announcing regulations, for technical consultation, aimed at simplifying and improving scheme administration. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

**Energy and Green policies**

21. The Energy Company Obligation (ECO), which the Treasury estimates costs £1.7 billion/year, is to be cut altogether. Government will also fund 75% of the domestic share of the Renewables Obligation directly. In total, this will reduce "policy costs" on energy bills by an approximately £150/year. This will primarily be seen in a reduction in electricity costs, which may make transition to low-carbon heating more affordable.

22. At the same time, Government will expand access to the Warm Homes Discount, as previously announced, enabling 2.7 million more households to receive the £150 rebate.

23. While the ECO scheme is being cut, government has announced an increase in capital investment through the warm homes plan, with the £13.2 bn previously announced set to be increased by £1.5 billion, partly offsetting the closure of ECO.

24. From 2027, the British Industrial Competitiveness Scheme will reduce electricity costs by c.£35-40/MWh and support thousands of businesses.

25. Government will work with Ofgem to streamline grid connection processes

**Transport**

26. Government is introducing Electric Vehicle Excise Duty, a self-reported per mile charge for electric and plug-in hybrid cars, from April 2028. Such a step was likely to be necessary as receipts from fuel duty falls due to the roll out of EVs, and it is probably politically wise to introduce such a step before EV uptake is very large. Rates for full EVs will be around half the fuel duty rate paid by the average petrol/diesel driver, to ensure they remain attractive, with a reduced rate for plug-in hybrid drivers.

27. Government is, however, extending the current 5p fuel duty cut until the end of August 2026 with rates then gradually returning to March 2022 levels by March 2027. The planned increase in line with inflation for 2026-27 will also be cancelled. In other words, it is reducing the tax take from more common, but more polluting vehicles, while increasing taxes on EVs.

28. Government is also freezing rail fares and maintaining the £3 bus fare cap until March 2027.

**Conclusion**

29. All in all, this feels like an even-handed budget.

30. For households, there are minimum wage increases and cuts to energy bills, as well as the removal of the 2-child benefit cap, but also effective income tax and national insurance increases. Businesses will find themselves paying more through the minimum wage increases but will benefit from continued skills and infrastructure investment.

31. For the built environment, investment has been maintained at much the same level as laid out in the CSR, and while the ECO scheme has been cut, the Warm Homes Plan has been scaled up elsewhere.

32. The biggest losers are likely to be anyone who benefits substantially from capital gains, rather than earned income; landlords, for example, will be hit by increased tax rates, and those in London may face additional costs through the high value council tax surcharge.

*CIAT November 2025. For more information, contact externalaffairs@ciat.global.*