

UPCOMING AUTUMN BUDGET 2025: POTENTIAL TAX CHANGES YOU NEED TO KNOW

What can taxpayers across Norfolk,
Suffolk, or Essex, expect from the
2025 Autumn Budget?



Diss Business Hub
(DBH 29), Hopper Way,
Diss, Norfolk, IP22 4GT

Tel: 01379 454508
Email: info@dgfs.biz
Web: www.dgfs.biz

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With government expenditure increasing, all eyes are on Chancellor Rachel Reeves as she prepares to unveil the Autumn Budget. This year, significant changes to tax regulations are expected to affect individuals and businesses alike. While Labour pledged in its 2024 manifesto not to raise income taxes for “working people,” the need for additional revenue suggests the Chancellor may explore other avenues to meet financial requirements.

Understanding how these changes could affect your financial planning is crucial for anyone living or working in Norfolk, Suffolk, or Essex. Below, the team at D G Financial explores the expected measures and their potential outcomes so you can stay a step ahead.

PERSONAL ALLOWANCE AND TAX RATE BAND FREEZES

One of the most probable changes is a continued freeze on personal tax allowances and tax rate bands. Known as fiscal drag, this tactic essentially pushes people into higher tax brackets as their earnings increase, even if those rises only keep pace with inflation.

For example, if your salary rises from £50,000 to £55,000 due to inflation adjustments, you might find yourself paying 40% tax on a larger part of your income, even though you’re not earning much more in real terms. Freezing the thresholds generates billions for the Treasury without officially hiking tax rates, aligning with Labour’s promise to protect “working people.” However, it ultimately leaves taxpayers with less disposable income.

This approach disproportionately affects middle-income earners, who may feel squeezed between rising living costs and higher tax bills. For those in Norfolk, Suffolk, and Essex, where property prices

and commuting costs are already high, the impact could be particularly severe. Proactive financial planning, such as salary sacrifice schemes or increased pension contributions, may help reduce the effects of fiscal drag.

POTENTIAL RISE FOR HIGHER EARNERS

Although Labour’s 2024 manifesto explicitly avoids promising no tax hikes for higher earners, increasing the 40% and 45% income tax thresholds could be an attractive option for the Government. Higher earners constitute a smaller voter base, and raising their contributions would significantly boost public revenue.

While this move risks alienating affluent taxpayers, the need to fund essential infrastructure and public services might outweigh such concerns. Individuals in high-income brackets should prepare for the possibility of increased deductions and consider effective tax planning strategies to manage this change. Options like charitable contributions, tax-efficient investments, or restructuring income sources could help lower taxable income.



PENSIONS UNDER THE SPOTLIGHT

Pension tax relief, costing the Government an estimated £48 billion annually, continues to be a major focus for reform. Proposed changes include limiting the tax-free lump sum available when withdrawing pensions. It is suggested that the 25% tax-free allowance could be capped between £75,000 and £100,000, with any amount exceeding this limit taxed as income.

Employers and employees across Norfolk, Suffolk, and Essex should closely watch this development. If these changes are implemented, they could significantly influence retirement planning, especially for those nearing retirement or with substantial savings. Consulting with D G Financial before the changes take effect can help ensure your pension remains effective despite new regulations.

Additionally, there is speculation that the Government may introduce a flat rate of pension tax relief, replacing the current system that disproportionately benefits higher earners. While this could simplify

the system and promote fairness, it might also diminish the motivation for higher earners to save for retirement.

WILL WE SEE A WEALTH TAX?

A wealth tax has long been discussed among various factions of the Labour Party, with proposals for a 2% annual levy on assets over £10m. However, wealth taxes often turn out to be ineffective in practice. Countries that have implemented them frequently face considerable capital flight, as high-net-worth individuals move their assets offshore.

Given these risks, a formal wealth tax is unlikely to appear in the Autumn Budget. That said, targeted measures, such as levies on inheritance or specific luxury goods, might be introduced instead. Keeping an eye out for these subtler wealth-targeted measures will be essential for ensuring compliance and maintaining tax efficiency.

For example, alterations to Inheritance Tax thresholds or the implementation of new levies on high-value properties could significantly affect families and businesses

in Norfolk, Suffolk, and Essex. Estate planning and trust arrangements will become even more vital in managing these potential changes.

CAPITAL GAINS TAX CHANGES

For business owners and investors in Norfolk, Suffolk, and Essex, the issue of Capital Gains Tax (CGT) remains a constant topic. Proposals to increase CGT rates have been suggested, but the Treasury's own data indicates that higher rates could actually decrease overall tax revenue. When levies rise, individuals are less inclined to sell assets, thereby limiting opportunities for taxation.

This suggests that although small increases in CGT rates cannot be dismissed, large-scale reforms are unlikely. Nonetheless, landlords and investors should remain vigilant to developments, as minor adjustments to CGT exemptions or allowances could add up over time. For example, lowering the annual CGT exemption from £6,000 to £3,000 could considerably raise tax liabilities for those selling property or shares.



VAT AND CONSUMPTION TAXES

Running contrary to Labour's manifesto pledges, increasing the standard VAT rate is unlikely to feature prominently in the Budget. However, the Government might focus on removing certain VAT reliefs, especially those that are more difficult to justify politically. Essential goods like food and medical care are likely to remain exempt, but non-essential categories may face incremental tax increases.

Similarly, the 5p fuel duty cut introduced in 2022 is scheduled to expire in March 2026. As this measure costs £2bn annually, its early removal could be an easy win for the Treasury. Motorists should prepare for higher prices at the pump, especially if global oil prices continue to fluctuate.

For businesses in Norfolk, Suffolk, and Essex, any modifications to VAT rules could trigger a ripple effect on pricing strategies and consumer demand. Staying informed and adapting swiftly will be crucial to maintaining competitiveness.

OTHER TARGETED ADJUSTMENTS

Smaller tax initiatives, including reforms to Lifetime ISAs (LISA), might also be

examined. The LISA currently offers a 25% government bonus to savers, capped at £1,000 annually. Removing or reducing this benefit could save costs for the Treasury but may decrease incentives for younger savers across Norfolk, Suffolk, and Essex.

Another possible change involves taxing financial gifts at a rate of 20%. This would likely increase administrative burdens on the banking system and could rekindle debates about privacy and fairness. Although politically risky, taxing gifts could bring in substantial public revenue and align with Labour's emphasis on social equity.

WHAT PREPARATIONS SHOULD YOU MAKE TO PLAN FOR THE AUTUMN BUDGET 2025 CHANGES?

With the Autumn Budget looming, individuals and businesses in Norfolk, Suffolk, and Essex should take proactive steps to prepare for potential changes. Whether it's reviewing your pension strategy, exploring tax-efficient investments, or planning for inheritance, early action can help reduce the impact of new measures. ■

Taxation is complex, and one-size-fits-all advice doesn't work. For tailored guidance on how the Autumn Budget could impact your financial position, we encourage you to act now. The team at D G Financial is here to help you navigate these changes and ensure your financial plans remain robust. Contact us today to discuss how we can support you in achieving your financial goals, no matter what the Autumn Budget brings. Contact us today to discuss your options and start planning for a secure financial future.

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