

autumn update. 2025.

changes to inheritance tax on pensions.

In October 2024, the chancellor announced plans to change the way pensions are treated for Inheritance Tax (IHT). In short, from 6 April 2027, some pensions will count as part of a person's estate when they die, which may increase the amount of IHT due.

The government has since held a public consultation and made some adjustments to the original proposal.

What are the proposed changes?

- From 6 April 2027: Any unused pension funds will be included within the value of your estate for IHT purposes.
- Who reports the tax: Your personal representatives (the people who sort out your estate after death) will now be responsible for declaring and paying any IHT, instead of the pension scheme provider. Pension scheme providers will still have to help by supplying information.
- What's exempt:
 - Lump sum death-in-service benefits (a one-off payment from an employer if you die while still working)
 - Joint annuities (an income for life that continues to a spouse or partner after you die)
 - Dependants' pensions and charity lump sums (as already proposed)

Who will be most affected?

The government estimates about 10,500 more estates each year (around 1.5% of all UK deaths) will pay IHT because of these changes.

In practice:

- Most people won't pay IHT on pensions — rising retirement costs, inflation, longer life expectancy, and care costs mean many pensions will be spent during retirement.
- Those most likely to be affected are higher-net-worth individuals who've built up large pensions mainly to pass on to family.

Even if no tax is due, everyone's personal representatives will need to contact pension providers to get the information for IHT checks.

What should you do now?

At this stage, nothing. The changes are planned for April 2027 and the rules are still in draft form.

Closer to that date, your Strategic Planner can review your situation and, if needed, suggest steps to reduce IHT — for example, by adjusting how you draw your pension or using other tax-efficient strategies.

For now, the focus should remain on making sure your pension provides the best possible income for your retirement, while keeping tax bills as low as possible.

Budget 2025

There have been rumours that there could be additional changes to inheritance tax announced in this year's Budget on Wednesday 26 November 2025. See pages 3-4 for more information on the rumours and our thoughts on them.



time for a review?

It is important to review your financial situation and check whether your personal financial plans are on track for the future. This is especially important for anyone thinking of retiring in the next few years.

If you would like to start making plans, please contact us to discuss or ask any questions you may have.

Call us on 0800 049 2011.

budget 2025 – what could be announced?

The Government has announced that this year's Budget will take place on Wednesday 26 November 2025. Last year, Chancellor Rachel Reeves' first budget delivered a record £40bn of tax rises and her Spring Forecast earlier this year committed to significant additional sums to defence and the NHS. These events have led to many rumours circulating in the press for what may come in this year's Budget - and the rumour mill is now in full swing since the Budget date was confirmed.

While we won't know what changes the Chancellor will propose until she gives her Budget statement, we have addressed some of the rumours that could impact individuals to help you prepare for what could be announced.

Rumour

CAPITAL GAINS TAX (CGT)

While the government hasn't suggested it is actively reviewing CGT, its manifesto commitment was not to raise income tax, National Insurance or VAT, so it is inevitable it may turn to other taxes such as CGT.

There are many possibilities; CGT rates could be raised again, or the Chancellor may consider applying specific rates to certain asset classes - for example, second properties. She could also remove the CGT exemption on death; in other words, CGT would be payable on death, which would potentially mean your estate would pay both CGT and inheritance tax. Alternatively, the Chancellor could further reduce the annual CGT allowance – the total amount of gains that investors can earn before CGT is applied.

Any of these changes to CGT will drag more people into paying tax on their investment returns, so it is vital that individuals make full use of their current ISA allowance, as any gains made inside an ISA wrapper is free of CGT.

Rumour

ISAS AND OTHER INVESTMENTS

There has been speculation over changes to the tax rules on dividends and cash ISAs following the Chancellor's comments on 'boosting investment in equities'. Cash ISA limits were rumoured to be reduced but were put on hold earlier this year, however there are also rumours on dividends being taxed at normal income tax rates.

Although the Chancellor seems to have ruled out a reduction in the annual cash ISA limit (currently £20,000) for the time being, the government still wants to encourage more investment in stocks and shares to help deliver the best returns for savers, as savings held in cash may struggle to keep up with inflation. Whatever the announcements, it's not too early to make the most of your ISA allowance this tax year. Interest or dividends earned on investments within an ISA wrapper are not subject to tax – so why not take advantage?

Rumour

INVESTMENT INCOME SURCHARGE

There have been discussions in the media around the potential reintroduction of Investment Income Surcharge. This was a tax on investment income in addition to existing income tax rates. It was first introduced by Conservative Chancellor Anthony Barber in 1972 and was a tax on investment income in addition to existing income tax rates. It was later abolished in 1984 by Chancellor Nigel Lawson.

Reintroducing the Investment Income Surcharge would require investors to pay more tax on investment income e.g. dividends, rent, certain royalties etc. While tax increases are a strong possibility in the next Budget, we will not know the extent of them until the announcement. However, if you currently have tax-free allowances available, you may want to consider whether making use of them now will be beneficial.

Rumour

PENSIONS TAX-FREE CASH

Last year, it was widely rumoured that the government may make changes to the 25% tax-free cash that can be taken from pensions (currently capped at £268,275). This did not get announced last year, but it is rumoured to be a potential avenue for the Treasury to raise money.

While the rumours did not come into fruition last year, there are reports that show a spike in people accessing pension funds before the 2024 Budget. This can have negative consequences for future financial planning for those individuals. As the rumours circulate again ahead of this year's Budget, we want to remind our clients of the dangers of making hasty financial decisions without seeking advice or guidance.

Rumour

INHERITANCE TAX (IHT)

The government proposed changes to the way pensions are treated for Inheritance tax purposes in the last Budget (which we discuss on page 1 of this update); but given the complexity of IHT rules, particularly around the various gift allowances, there may be scope to make changes with a view to raising additional revenue. For example, there have been rumours the government could impose a lifetime cap on the value of gifts people can make that are IHT-free. Currently, the value is essentially unlimited if the person lives another seven years after making the gift.

The Chancellor may also choose to further extend the freeze on the nil-rate band beyond 2030. Currently, IHT is charged on estates worth more than £325,000 - although there are additional allowances covering the family home, which effectively allow married couples to pass on assets of up to £1 million to their children or grandchildren.

The £325,000 nil-rate band has been frozen since 2009, while the residence nil-rate band has remained unchanged since 2017. Keeping these thresholds level, or even reducing them, could impact many people as more families find themselves liable for IHT due to rising property and asset values.

While it may be tempting to rush into making gifts to children or grandchildren in case allowances disappear, it's very important to think about the long-term implications of such a decision and whether you may need that money later in life.

Rumour

PENSION TAX RELIEF CHANGES

It has been rumoured many times in previous years that pension tax relief would be reduced as it's estimated to cost the Government £45-£50bn per year - but so far, no Chancellor has implemented it. Alternatively, it has been rumoured that a levy on pension fund values could be announced. This could be a small percentage added to the annual charges that pension fund managers already take.

A small fund levy would be a better option than reducing tax relief on pensions as a less than 0.5% charge would be minimal compared to the tax relief individuals already get and the tax-free growth in their pension funds.

Rumour

FREEZING TAX THRESHOLDS

While Labour has pledged not to raise the headline rates of income tax, National Insurance, or VAT, there's still room for fiscal manoeuvring. One likely route is a continued freeze on income tax thresholds.

While freezing income tax thresholds may not appear to be a change, as wages rise over time, frozen thresholds mean more people are pulled into higher income tax brackets without any formal rate increase. This would also impact how much CGT is charged for people who inadvertently move into higher income tax brackets.

It could also mean many people who only receive a State Pension could end up becoming taxpayers, as the amount received could end up being higher than the personal allowance. Since this can't be collected via PAYE (due to the pension being paid gross), these individuals could get a tax demand.

Rumour

PROPERTY TAXES: CGT

There's growing speculation that the Chancellor may consider a broader overhaul of property taxation, with the possibility of introducing CGT when people sell their primary home if it sells for more than a set amount.

Currently, primary residences are exempt from CGT so this would be a significant change in policy and will impact many individuals given the increase in house prices in recent years and the annual CGT allowance being just £3,000.

Rumour

PROPERTY TAXES: COUNCIL TAX

It's been reported that the Treasury is considering a new annual local property tax with bills based on the current value of a home. Currently, council tax in England and Scotland is based on house valuations from 1991 and the charges are set by local authorities

Council tax affects many households and basing the system on current house values will mean some will pay less tax while others will have to pay more. If the changes are implemented, most households would benefit from reviewing their monthly expenditure to incorporate the change to their outgoings.

Rumour

PROPERTY TAXES: NATIONAL INSURANCE

It has also been rumoured that rental income may be treated as earned income and therefore fall within an individual's National Insurance (NI) contribution. This could mean any rental income would be subject to an 8% charge.

Changes in rental income could result in rent increases for tenants as landlords are likely to fill the gap in income; putting further strain on people's monthly outgoings.

Rumour

PROPERTY TAXES: STAMP DUTY

Another potential change to property is the removal of stamp duty. Under the reported proposal, sellers – rather than buyers – would be responsible for paying the tax on properties sold for over £500,000.

While the removal of stamp duty would be beneficial to homebuyers, the change could have a disproportionate impact on homeowners in high-value regions. This could also affect the housing market by disincentivising downsizing in later life.

Rumour

RESTRICTING 'SALARY SACRIFICE' OPTIONS

It has been rumoured that the Government may limit salary sacrifice and recoup some of the tax revenue lost through these schemes. One option could be to cap the amount individuals can sacrifice or remove the National Insurance (NI) exemption and/or the tax exemption.

Many employees choose to sacrifice part of their salary in exchange for higher contributions into their workplace pension. This can be tax-efficient for the individual as pension contributions - unlike salary payments - are not subject to income tax or National Insurance. Limiting or removing tax exemptions on salary sacrifice schemes could make workplace pensions less desirable and people would therefore be making fewer contributions which could have a drastic impact on their pension pot value in the future.

As we have said, it's important to remember that this is all speculation at the moment. While taking some steps to prepare for the future, such as using existing ISA allowances, could have a positive impact on financial plans by paying less tax; making snap decisions based on rumours without getting guidance or advice could be detrimental in the long run. Please do not hesitate to get in touch with us if you have any concerns.

As with every Budget statement, we will provide an overview of the announcements and what they could mean for individuals in our Budget Commentary sent via email. If you are not currently receiving email communications from us and would like to, please get in touch.



helping you to achieve your long-term goals.

As mentioned in our review of the Budget rumours on pages 3 and 4, the government announced earlier this year that it was looking to adjust the Cash ISA allowance but maintain the overall £20,000 ISA limit. While the official decision has been put on hold for now, the government still wants to encourage more investment in stocks and shares. This is to help deliver the best returns for savers as unlike investing in the Stock market, cash held in savings may struggle to keep up with inflation; the money held may be worth less as time progresses.

Although many savers may not wish to lose part of the Cash ISA allowance, the push for investing in Stocks and Shares can benefit savers' longer-term goals. With this in mind, we thought it was important to remind you about the investment process we adhere to and how it is designed to provide our clients with the best possible outcomes and returns.

1

Strategic asset allocation is the main driver of most investment returns and is the key to successful investment management. All investments in our clients' portfolio are carefully selected by our Investment Management team through rigorous analysis and are aligned to the individual's risk appetite.

2

Our **institutional approach** and buying power, in terms of economy scale, provide clients access to exclusive share classes and customised fee structures. It also means we can influence the fund houses that we invest in, providing access to tailored pricing and services not available to retail investors.

3

Over the long term equity markets tend to rise, but of course this isn't always the case, and so our team focuses on managing risk and the level of volatility for which a client is exposed. Through **new money phasing**, our Investment Management team will drip feed new money into the investments selected for our clients, becoming fully invested over, roughly, 90-days. This allows them to invest more quickly or more slowly depending on their views and current market conditions, which helps to manage the risk of investing in the stock market whilst taking advantage of any opportunities available at that time.

4

We truly are a **whole of the market investment** company with true access to the entire investment universe. This enables our clients to directly invest in company shares, sterling denominated corporate bonds, and gilts, as well as a range of collective investments; passive and active fund structures such as OEICs Unit Trusts, and ETFs. Unlike other firms, our investment managers have unrestricted access to global markets which enables us to identify and realise a range of opportunities across diverse classes and markets.

5

Our Investment Management team have a disciplined approach to **risk management** and tailoring risk to each client. There are parameters that are set by our Investment Committee which include asset classes, geographical locations, as well as sectors and direct shareholdings. These limits help manage risk, avoiding overexposure to any one company or sector, supporting steady, long-term growth for everyone.

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making the most of your ISA allowance.

Over recent years, the Capital Gains Tax (CGT) allowance has been reduced dramatically to just £3,000. In addition, the government increased the rate at which people pay CGT from 10% to 18% for basic rate taxpayers and from 20% to 24% for higher rate taxpayers.

So now, making use of your annual Individual Savings account (ISA) allowance makes even more sense.

Investments (or 'assets') within an ISA wrapper are not subject to CGT, meaning any increase in value is tax free – so why not take advantage?

You do not need to wait until the end of the tax year to make the most of your ISA allowance. Investing earlier means your investments have more time to grow tax-free!

If you would like to discuss your ISA requirements, do not hesitate to get in touch.

your portfolio: anytime, anywhere

Our app and web portal provide ease of access to your investment portfolio(s) and up-to-date information on your holdings and transactions. You will also be able to view our regular market updates and summaries.

How to access:

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- **I used the old online account, but don't have the app:** visit app.mywealth.co.uk to request your new password*.
- **I have never had web or app access:** confirm your email address with us and we will send you your unique login details. Call us on **0800 028 3200**.

*when requesting your new password, you will need to confirm your customer reference number which can be found on your quarterly statements. It is composed of 15 digits and starts with the letter C.



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