Autumn Budget 2025
Summary and reaction

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Analysis

Rachel Reeves stood up today to give her second budget, as the least popular minister in a highly unpopular administration. This Budget has been seen by many commentators as a last attempt to grasp the nettle for both her and the Prime Minister, as candidates jockey in the background for position in anticipation of a potential leadership challenge in the event of bad results at the May 2026 local elections.

The economic backdrop is challenging. She had a fiscal black hole to fill, economic growth is weak and borrowing costs are rising. Debt interest now exceeds £100 billion annually and national debt is approaching 100% of GDP. Markets were looking for an increased fiscal buffer to avoid additional borrowing or future tax increases. The Chancellor needed to deliver a Budget which raised revenue, without spooking the markets or businesses investment, all whilst securing her political future with restless backbenchers.

Reeves relied on a range revenue-raising measures to plug a lower than expected £4bn fiscal hole and generate £22bn of headroom. She avoided a technical breach of the manifesto whilst raising additional tax revenue via extending income tax threshold freezes, increasing tax on dividends, and making a range of other adjustments.

In a pitch to voters and the Labour backbench, the Budget included measures aimed at easing cost-of-living pressures, such as reducing energy bill levies, abolishing the two-child benefit cap, increasing the minimum wage, and freezing rail fares for the first time in almost 30 years.

The Chancellor will be pleased with the initial response with a neutral reaction from the markets, but whether it will deliver the political gains the government needs to shift the polls and improve her personal rating for before May's crucial elections remains to be seen.

Headline fiscal measures

Personal tax

- Freeze on income tax personal, higher and additional-rate thresholds, plus the employer NICs threshold, extended to 2030–31, raising £8bn in 2029–30 and locking in a higher overall tax burden.
- From April 2029, salary-sacrificed pension contributions above £2,000 attract employer and employee NICs, raising £4.7bn in 2029–30 and £2.6bn in 2030–31.
- From April 2026, dividend, property and savings tax rates each rise by 2 percentage points, together raising about £2.1bn a year by 2029–30.

Sector & business tax

- A mileage-based charge for electric and plug-in hybrid cars from April 2028, at about half petrol fuel duty, raises £1.4bn by 2029–30, while fuel duty is frozen until September 2026, reducing previously planned revenues.
- Reducing the main corporation tax writing-down allowance and cutting CGT relief on disposals to employee ownership trusts together raise around £2.4bn a year by 2029–30; restructured gambling duties raise £1.1bn, a council tax surcharge on homes over £2m raises £0.4bn, and tighter compliance adds £2.3bn a year.
- Restructured gambling duties raise about £1.1bn a year by 2029–30; a new council tax surcharge on properties over £2m raises around £0.4bn annually, and tougher compliance and debt collection add £2.3bn a year.

Headline fiscal measures (cont.)

Spend & size of the state

- Total receipts rise from 38.9 per cent of GDP (£1.1trn) to 42.4 per cent (£1.5trn) by 2030–31, with higher taxes doing most of the work.
- National Accounts taxes increase from about 35 per cent of GDP in 2024–25 to just over 38 per cent from 2029–30 onwards, around five percentage points above pre-pandemic levels.
- Total public spending is around 45 per cent of GDP in 2025–26 and 44 per cent in 2030–31, also about five percentage points above pre-pandemic levels.

Borrowing, debt & headroom

- Public sector net borrowing falls from 4.5 per cent of GDP in 2025–26 to 1.9 per cent in 2030–31, although borrowing in the near term is higher than previously forecast.
- Public sector net debt including the Bank of England rises from 95.0 per cent of GDP this year to 97.0 per cent in 2028–29, then eases to 96.1 per cent by 2030–31.
- The fiscal rules are met with £22bn (0.6 per cent of GDP) headroom on the current budget in 2029–30; the borrowing target is met with £24bn (0.7 per cent) headroom.

Political Reaction

Kemi Badenoch condemned the Chancellor’s Budget as humiliating, chaotic and incompetent, attacking the £26bn tax rise and accusing Labour of punishing workers to fund welfare. She highlighted broken pledges, mocked claims of misogyny, and argued Reeves had lost credibility, concluding she should resign for delivering instability instead of promised stability.

Ed Davey backed some of the Chancellors policies, such as on gambling taxes, ending the rape clause, and scrapping the two-child cap. Davey also criticised energy policy, tax rises, and wasteful spending. He warned new taxes harm pensions and EV growth, opposed digital ID, attacked the income-tax threshold freeze, and cast the Liberal Democrats as the pro-EU alternative.

Reform leader Nigel Farage MP called the Chancellor's Budget an "assault on aspiration and saving", stating that, "working people are going to be subsidising a welfare bill that shows no sign of going down whatsoever." "One thing was very clear to me watching the budget was that we are in an economic doom loop and no one seems to recognise it." Farage continued, the one truth is that "this Government had a really bad inheritance" from the Conservative Party, with high taxes, high immigration, net zero, and deindustrialisation.

The Green Party accused Labour of offering half-measures instead of taxing extreme wealth, worsening poverty by squeezing struggling households while sparing the super-rich, and failing to deliver the transformative Budget needed to fix deep economic problems.

The Treasury Committee Chair welcomed the removal of the two-child benefit cap, along with the removal of the “rape clause”. The Chair cited her Committee’s report on the problems caused by online gambling and also welcoming the increase in taxes.

Stakeholder Reaction

CBI

The Government's growth mission is currently stalled. While the Chancellor has succeeded in creating the fiscal headroom she needed, a scattergun approach to tax risks leaving the economy stuck in neutral. Adding national insurance to salary sacrifice pension contributions curtails savings and pushes up the cost of employment. Coming on top of the rise to the National Living Wage, increased employment costs make it even more expensive for employers to offer jobs to young people and jobseekers. The Government should be commended for protecting capital spending, boosting innovation, sticking with the corporate tax roadmap, and hiring the planning officers business asked for. But business will still rue a missed opportunity to be bold and press on with much needed tax reform, simplification and alignment of incentives to catalyse business investment and job creation

IFS

This was a big Budget, but not in the way people were necessarily expecting. Yes, there was a big tax rise: today's £26 billion isn't far short of last year's £32 billion. Yes, there was an increase in 'headroom': more than doubling the buffer against the fiscal rules to £22 billion has much to commend it. But there was also a sizeable increase in borrowing in the short term, mostly due to spending pressures outside direct government control, which the Government is choosing to accommodate. To bear down on borrowing in later years and deliver that increase in 'headroom', the Chancellor is relying heavily on tax rises towards the back end of the parliament.

Resolution Foundation

The Chancellor has eased cost of living pressures with support on energy bills and for larger families, while increasing fiscal headroom through freezing income tax thresholds and reforming personal taxes. The OBR's small deterioration in the forecast allowed the buffer to rise to £22 billion, though recent U-turns required further fiscal consolidation. Extending the freeze on Income Tax and National Insurance thresholds remains the largest measure, raising £67 billion by 2030-31. The Budget also includes smaller reforms to dividends, savings, property and EV taxation. Cost of living measures will help households, but many tax rises and spending cuts are delayed until 2028-29, leaving public finances weaker in the near term.

Planning and infrastructure

Planning

- National Housing Delivery Fund: £1.3 billion from the National Housing Delivery Fund is being devolved to major city regions to unlock strategic housing sites and support local delivery.
- Local Planning Capacity: £48 million to expand planning capacity, including recruitment of 1,400 additional staff by the end of the Parliament.
- Environmental Assessments: Environmental regulators will also receive extra resources to improve the speed and performance of environmental assessments supporting planning decisions.

Infrastructure

- R&D Missions Accelerator: The £500 million R&D Missions Accelerator will launch challenges on cultural asset commercialisation, helping to reduce public infrastructure construction costs by 10 percent.
- Growth Mission Fund: £16 million announced for a STEM centre in Darlington, £20 million for Inchgreen dry docks, £20 million for Kirkcaldy regeneration and £20 million for a Peterborough sports quarter.
- Rebuilding Britain plan: The Rebuilding Britain plan accelerates growth-focused capital investment, including fast-tracking the Lower Thames Crossing and other nationally significant schemes to relieve transport bottlenecks and support regional growth.

Reaction: Planning & infrastructure 👷

The Chancellor has provided further reassurance that infrastructure remains a powerful lever for the UK's growth mission. This is an industry that thrives on predictability and clear decision-making from government. Long-term planning and skills investment are essential ingredients for the successful delivery of complex, fit-for-purpose infrastructure across our water, energy, defence and transportation systems. However, without a dedicated cabinet-level Minister for Infrastructure, the industry is at risk of spinning its wheels. This role at the heart of government would oversee the 10-Year Infrastructure Strategy and Infrastructure Pipeline, align policy and funding across departments, and instil much-needed confidence in business leaders wanting to invest in the skills of tomorrow.

Commitments on the Lower Thames Crossing, the Transpennine Route Upgrade, city-region transport and local roads will all support jobs, improve connectivity and boost productivity. But Ceca members are still operating in what our latest Workload Trends Survey describes as a 'two-speed' industry… The test of this Budget will be whether these high-level commitments translate rapidly into a visible, funded pipeline of deliverable projects. We need clear, stable investment programmes, backed by fair procurement models and a skills system. The message in this Budget [is] that infrastructure investment is central to the UK's growth strategy. "Infrastructure investment is not a luxury it is the foundation for long-term growth."

ACE welcomes the positive decisions on Northern Powerhouse Rail and PPP for Neighbourhood Health Centres. What is now needed is concrete information to give industry confidence. Today's Budget was a chance to set out the detailed, long-term reforms needed to stabilise NISTA's pipeline and unlock private investment. The industry now needs clarity.

Transport

Rail and Travel Duties

Freezing Travel Costs: Rail fares will be frozen for one year from March 2026. The 5p fuel duty cut will also be extended to August 2026, and a new Fuel Finder will launch in Spring 2026 to support price comparison.

EV Exercise Duty: A new Electric Vehicle Excise Duty will take effect from April 2028, charging EV and plug-in hybrid drivers for mileage, which is estimated to raise £1.4 billion.

Air Passenger Duty: The scope of the higher rate of Air Passenger Duty will extend to all private jets above 5.7 tonnes from April 2027.

Investment

EV Charging: £100million for additional charging infrastructure and £100million in resource funding to support specialist staff and accelerate public chargepoint rollout.

Lower Thames Crossing: The Lower Thames Crossing will receive a further £891 million to complete publicly funded works.

EV Charging: In addition to the investment in EV chargepoints, a ten-year 100% business rates relief will be introduced for eligible EV chargepoints and EV-only forecourts.

Reaction: Transport

The Railway Industry Association and our members – many of whom have experienced difficult times this year commercially – will welcome the Government's recognition of the value of rail investment to boosting the UK's growth and productivity, and its commitment to funding major rail projects, including the Docklands Light Railway extension, Transpennine Route Upgrade, HS2, East West Rail and Midlands Rail Hub. However, we would like more of the Government's plans to encourage innovative funding models and an update on Northern Powerhouse Rail.

Instead of nurturing the green shoots of economic recovery, the government risks stamping them out. The increase in fuel duty announced in the Budget will mean hundreds of millions in increased taxes for logistics businesses, much of which will be passed onto households and businesses, as well as hitting motorists directly – fuelling inflation across the economy. It is a short-sighted decision that fails to appreciate logistics' role in the economy - logistics costs are embedded in all products from food and medicines to construction materials and consumer goods: increasing logistics taxes mean increased costs for everyone. Logistics businesses already pay around £5.5 billion a year in fuel duty - increasing the tax burden on our industry shows a disregard for a sector that generates £170 billion for the UK economy, employs over 8% of the nation's workforce and is key to the government's growth agenda. We urge the Chancellor to reconsider this decision at the earliest possible opportunity, or risk an inflationary impact right across the economy in the spring.

The Government will be aware that taxing all plug-in vehicles per mile from 2028 could slow down the transition to electric vehicles. This is no doubt why it has expanded the Electric Car Grant. With fuel duty revenue set to decline as more EVs come on to the road, this is one lever the Chancellor clearly feels she can pull to keep the money coming in. The implementation will be critical, so the devil is very much in the details. We note the Government hasn't cut VAT on public charging from 20% to 5% to match the rate levied on domestic electricity. This means drivers who can't charge at home will continue to pay more.

Devolution and Growth

Funding

- Fiscal Devolution: The government has announced a historic commitment to fiscal devolution, giving mayors and potentially other local leaders tourism tax powers, subject to consultation.
- Integrated settlements: Providing at least £13 billion between 2026-27 and 2029-30 for seven Mayoral Strategic Authorities.
- Mayoral Funding: A £500 million Mayoral Revolving Growth Fund will help mayors in the North and Midlands invest in high-impact projects alongside the private sector.
- Extra Funding: £902 million over four years will support regeneration in 11 mayoral city regions in the North and Midlands, with £783 million allocated to Scotland, Wales and Northern Ireland

Business Rates and Housing

- Leeds: The Leeds City Fund establishes a business rates retention zone allowing Leeds City Council to retain 100 percent of growth above baseline for 25 years.
- Cornwall: Business rates retention pilots in Cornwall, the West of England and Liverpool City Region will be extended to 2028-29.
- Affordable Homes: Mayoral authorities will also be able to bid for around £7 billion through the successor to the Affordable Homes Programme.

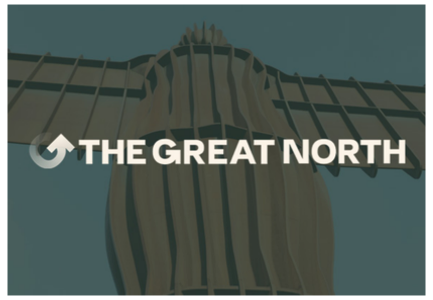
Reaction: Devolution and Growth

West Midlands Combined Authority

Mayor Richard Parker said: "The Chancellor has today backed the West Midlands with a £2.5bn settlement to drive growth in every part of our region - and it puts fairness at the centre of that plan. It will lift children out of poverty, strengthen our public services and support working people with a proper living wage. This is a Budget that helps to rebuild our region from the ground up. It gives us the tools to get homes built, improve our buses and trains, boost skills and bring new investment into our towns and cities. After years without meaningful growth, this Budget makes responsible choices for a fairer economy and better opportunities for the people of the West Midlands."

Local Government Association

Cllr Kevin Bentley, Senior Vice Chairman of the Local Government Association said: "The Government has acted on LGA calls to provide greater financial certainty and a simpler funding system, which are hugely important for councils. While funding levels have increased in recent years, councils will be rightly anxious that today's Budget does not provide the increase in funding they desperately need to ensure their financial sustainability, protect services, support local communities, and address national priorities. We will be analysing today's announcements in detail and publishing a full briefing in the coming days."



Chair of the Partnership, Mayor Kim McGuinness: Today's Budget brings welcome steps to invest in supporting working people and businesses across the North. There is still more to do to close long-standing gaps, but the North stands ready to work with government to ensure every community shares in the benefits of growth. The decision to lift the two-child benefit cap is a bold and compassionate step that will transform lives, lifting thousands of children out of poverty and giving families the security they deserve. It is a victory for fairness and a foundation for opportunity. There is progress on business support, although further action is needed. Thriving businesses are the backbone of the economy, and the North will continue working with government to design a system that is inclusive and ambitious, with support that powers innovation and growth in every community. Northern Powerhouse Rail in full remains the game-changer – the spine that connects northern economies and unlocks the region's potential – and an announcement is needed soon. Devolution has proved what ambition can deliver. The North will not pause; it will continue driving progress and shaping the future communities deserve.

Housing

- Social Rent: The government will continue CPI+1% annual social rent increases from 2026–36, with a Social Rent convergence decision to be announced in January 2026.

- Council Tax Surcharge: A High Value Council Tax Surcharge (HVCTS) will apply in England from April 2028 to residential properties valued at £2mn or more, using updated valuations. Annual charges will start at £2,500, rising to £7,500 for properties valued above £5mn. The tax will be levied on owners and collected by local authorities on behalf of central government, with authorities fully compensated for administration.

- Property Income Tax: Property income tax rates will be set at 22%, 42% and 47% from April 2027, while dividend ordinary and upper rates will rise by 2 points from April 2026 and savings income tax by 2 points from April 2027.

Reaction: Housing

Pete Marland, Labour chair of the Local Government Association's resources board, warned that the government must urgently work with councils on the mansion tax details, as the current approach risks creating confusion. He stressed that the founding principle of council tax is its role as a locally accountable tax used to fund local services. Any additional funding raised through the council tax system must therefore be available to support local authorities, particularly given the financial pressures they face. He said councils will be looking closely at how the government intends to use this funding to support local services specifically.

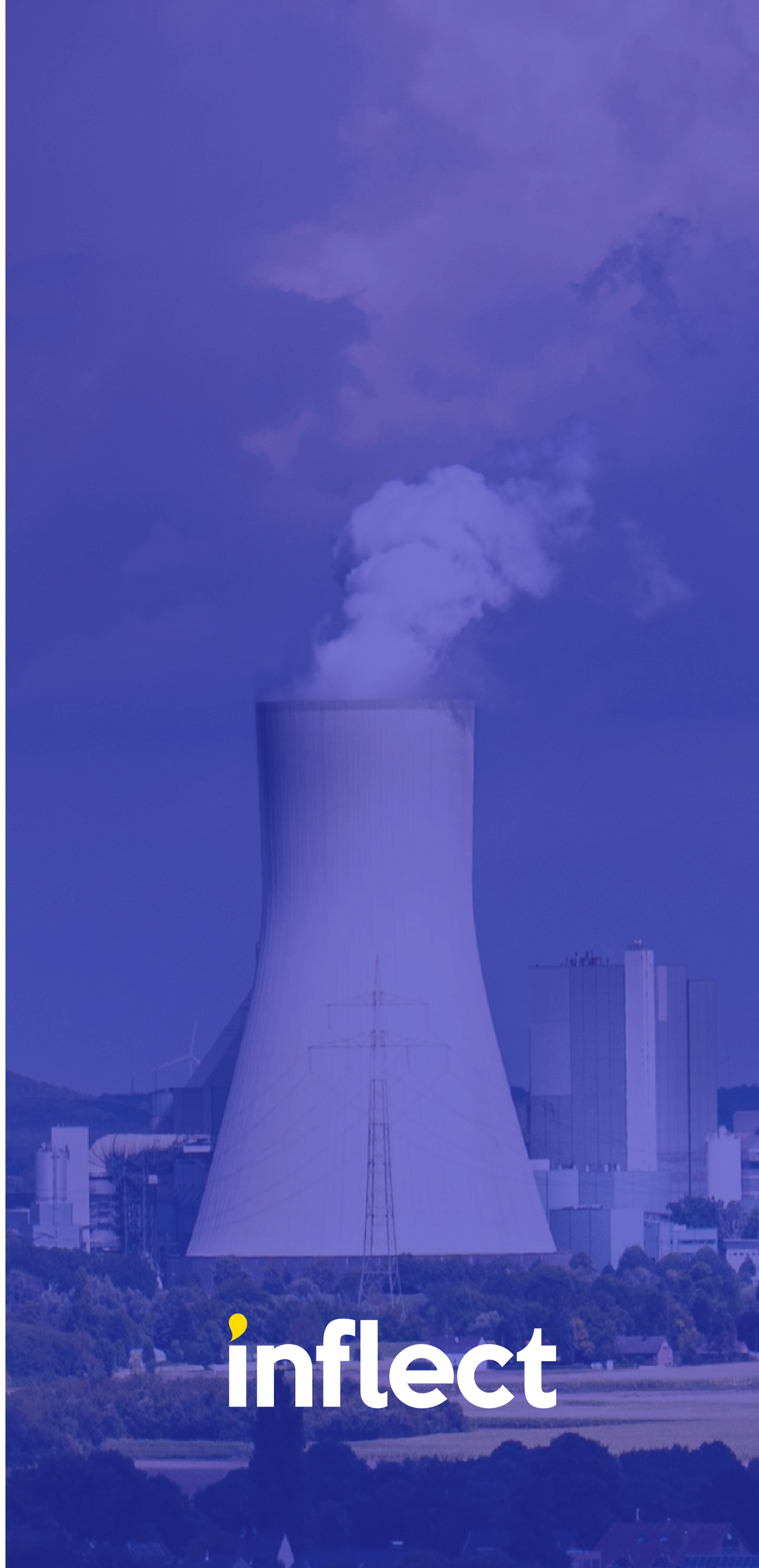
Kate Henderson, chief executive of the National Housing Federation, said the Budget contains welcome steps to tackle the cost-of-living crisis, with removal of the two-child benefit cap set to lift thousands of families out of poverty. She noted that the sector had expected an announcement on reintroducing rent convergence, which equalises historical differences in rents and is both fair for tenants and vital for ensuring the social housing sector has the income needed to maintain homes and build new ones. This decision has been delayed, and she said the sector looks forward to clarity in January so housing associations can submit strong bids to the Social and Affordable Homes Programme and deliver on the government's housebuilding ambitions.

Despite claims of tackling cost of living pressures, the Government is pursuing a policy that the Office for Budget Responsibility has made clear will drive up rents. Almost one million new homes to rent are needed by 2031. But this Budget will clobber tenants with higher costs while doing nothing to improve access to the homes people need.

Energy

Energy and Gas Prices

- Energy Bills: From April 2026, Government measures will remove around £150 from average energy bills, and expand the Warm Home Discount to six million households.
- Warm Homes Plan: The government is investing £1.5bn in the Warm Homes Plan, in addition to £13.2bn already allocated
- Oil and Gas: A new Oil and Gas Price Mechanism will apply a 35 percent rate when prices exceed 90 dollars per barrel for oil and 90 pence per therm for gas.
- UK Government Green Financing Framework: HM Treasury's updated 2025 UK Government Green Financing Framework allows proceeds from green gilts and Green Savings Bonds to fund civilian nuclear projects, alongside renewables, energy efficiency and other green sectors, provided they meet UK safety and waste rules and exclude any military uses. The Government will publish annual reports on how these funds are used and the environmental and social impacts delivered.



Reaction: Energy

Energy UK

Support for energy bill payers is long overdue. The energy industry has for some time called for action to remove policy costs and bring down bills. So we warmly welcome the announcement today from the Chancellor, which will give customers some respite from the high energy costs that far too many households have struggled with over recent years. Investing in clean power will protect customers from volatile prices and lead to more stable bills in the future. But people are struggling now, and reducing bills for all customers is an important first step... The proposal to cut the ECO programme significantly reduces the overall funding available for vital home improvements that would lower bills. It will also have an impact on the companies and supply chains that have made plans to invest and recruit and have again been hit by a change in policy. A focus on electrifying homes, businesses, and transport, as well as continuing to work towards making homes energy efficient, are all crucial to ensuring millions more people can live in warmth and comfort, particularly low-income customers who suffer the most from poor housing."

beama

We welcome the Government's focus upon driving down energy bills for UK households, but further measures are needed to ensure that we are creating a sustainable energy system by supporting investment from consumers and businesses with credible, delivery-focused policies that bring the public along with us. Manufacturers need policy consistency over time and tangible delivery plans to encourage investment, and Government should understand this investment cannot appear overnight. Businesses also continue to struggle with energy and hiring costs which have not been materially improved by today's Budget. Our members enthusiastically welcomed the action plans for Clean Power, Industrial Strategy and Green Jobs, demonstrating the positive sentiment that Government can set. But manufacturers quickly need a clear and consistent policy to ensure short term relief is followed by long term improvements that will bring benefits to consumers for decades to come.

NIA
Nuclear Industry Association

We welcome the Chancellor's support for the Nuclear Regulatory Review and her commitment to publish a plan within the next three months. It's now crucial that the government sticks to this timeline and adopts the Taskforce's recommendations with urgency, so we can maintain momentum and turn these proposals into reality – strengthening our energy security and ensuring reliable, clean power for decades to come. We also strongly welcome the announcement that nuclear will be included within the UK's Green Financing Framework. This is a vital step that will help reduce the cost of financing, unlock investment at scale and put nuclear on a level footing with other clean energy technologies.

Defence

Policies

- Spending: Defence spending rises to support national security and NATO commitments, including deployments in Europe and £1.5 billion for munitions manufacturing.
- Housing: The Defence Housing Strategy allocates £1.5 billion this Parliament and £9 billion over the next decade to release surplus Defence land for 100,000 homes and expand homeownership opportunities for veterans and Armed Forces personnel.

Reaction

prospect

Government must redouble efforts to back key sectors of our economy through the industrial strategy, invest in our defence and our energy security, and implement the Employment Rights Bill as soon as possible to deliver improved rights for working people.

ADS

While today's Budget rightly recognises the critical role our sectors play in national security and prosperity, the pathway to spend 3.5% of GDP on defence by 2035 unhappily remains unclear. We acknowledge that the macro and geopolitical landscape has shifted dramatically in recent months, let alone since the last Budget. However, support and stability for our businesses should not be overlooked, given they employ over 440,000 people across the UK.

Skills, Workforce and Education

Policies

- The National Living Wage will increase by 4.1% to £12.71 per hour from April 2026, raising annual earnings for a full-time worker by £900.
- Salary Sacrifice: From 2029, the amount that can be sacrificed without NICs will be capped at £2,000 per employee, protecting lower earners while maintaining full tax relief for pension contributionsRelief for employee ownership under Capital Gains Tax will be reduced from 100% to 50% of the gain.
- School Library Funding: The government will provide £5 million in funding for books in secondary schools. This is in addition to the £10 million funding for Primary Schools.
- Youth Guarantee and International Student Fee Levy: Over £1.5 bn will support employment and skills, including the Youth Guarantee and Growth and Skills Levy.

Reaction

UCU University and College Union

Our universities are in crisis. 15,000 jobs are at risk and four thousand courses face closure, while funding per student in England has collapsed over the past decade, leaving a £6.4bn shortfall

REC Recruitment & Employment Confederation

For the UK's recruitment industry and wider labour market, this was a Budget that promised ambition but fell short of providing the confidence employers need to invest in hiring and drive growth.

Universities UK

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Tech and Innovation

Policies

- Expanded National R&D Investment: Annual government R&D spending will rise to £22.6 billion by 2029–30, alongside the launch of a £500 million R&D Missions Accelerator targeting cultural asset commercialisation and a 10% reduction in public infrastructure construction costs.
- Major UKRI Funding for Growth Sectors and Firms: UKRI will direct £9 billion over four years to IS-8 sectors, including £4.5 billion for innovative firms, and will create new Enterprise Fellowships, invest up to £25 million in entrepreneurship-focused doctoral training, and run a £4.5 million Women in Innovation round.
- Support for Frontier Companies: Innovate UK will launch a £130 million Growth Catalyst programme to accelerate the scale-up of frontier and high-growth firms.

Reaction

UKRI Innovate UK

Today's budget was always going to be a difficult balancing act to manage public finances while driving growth. The UK fintech community was pleased to see the chancellor acknowledge very early on in her budget speech the importance of supporting entrepreneurs and founders, recognising they are key drivers of growth across our country.

STARTUP COALITION

In a tricky budget the chancellor made one thing clear - entrepreneurs and founders building high-growth businesses are the engine of growth in the UK. Is this everything that founders could ever need? No. But does this Budget show that the Government has seriously listened to founders and tried to make things better to build and scale a startup in the UK? Emphatically yes.

Welfare

Policies	Reaction

Strengthened Support Through Universal Credit: The government will remove the two-child limit in Universal Credit, increase UC childcare support for larger families, and expand Help to Save to claimants receiving the caring or child element. The UC Standard Allowance will rise by over 6% from April 2026, while the basic and new State Pension will increase by 4.8% (worth up to £575 per year)

Household Cost Protections: Prescription charges will be frozen at £9.90 for one year from April 2026, helping to limit rising day-to-day costs.

Reforms and Investment in Social Care: Benefit reforms are expected to save £2 billion annually, while £2.4 billion is allocated to support early-intervention children's social care.

UNISON

Scrapping the cruel two-child benefit cap is a victory for thousands of working families. Good riddance to it. But it should've happened sooner. It shows Labour is at last heading in the right direction and helping those who most need support.

IPPR

Since its introduction in 2017, the two-child limit has actively punished hundreds of thousands of children for the perceived 'sins' of their parents. Today marks a landmark moment. The life chances of 1.6 million children have been improved, with 450,000 children lifted out of poverty by the end of parliament.

Get in touch

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