Corpad Employee Benefits

Budget Update November 2025

Autumn Budget Update 2025 Impact to Employee Benefits

Manifesto Pledge:

Before the 2024 election, Labour promised not to increase Income Tax, National Insurance or VAT for 'working people'.

Following the Autumn Budget announced today:

- **Freeze on income tax thresholds extended** until April 2031, meaning more people pay higher rates of tax as their pay increase with the Office for Budget Responsibility estimating that 780,000 more people will be brought into paying income tax in 2029-30, largely as a result of the extension to the freeze on income tax thresholds.

Income tax levels in England, Wales and NI:

Band	Taxable Income	Rate
Personal Allowance	First £12,570**	0%
Basic Rate	£12,570 to £50,270	20%
Higher Rate	£50,271 to £125,140	40%
Additional Rate	Over £125,140	45%

*Scotland sets its own bands and rates
**Reduced by £1 for every £2 earned between £100,000 and £125,140

- **Pension Salary Sacrifice 'Exchange' capped** at £2,000 per annum April 2029, meaning that someone earning in excess of £46,240 per annum and funding pension contributions through a Salary Sacrifice arrangement on the minimum qualifying basis for automatic enrolment will see an increase to their National Insurance Contributions and a reduction in Net Pay.

For employees who have planned carefully utilising the benefits of Salary Sacrifice to mitigate certain tax thresholds and childcare support costs will need to review their finances ahead of these proposed changes due to be implemented in April 2029.

Employers who operate Salary Sacrifice arrangements will see an increase to National Insurance costs as a result of this change from April 2029.

This change will undoubtedly be a blow to pension saving, at a time where the UK are not saving sufficiently for a healthy retirement.

- **Increase to National Living Wage** by 4.1% from April 2026 from £12.21 to £12.71 per hour plus those aged 18 to 20 will receive an 8.5% increase to £10.85. A further cost that will impact business.

- **New mileage tax on electric vehicle (EVs)** from April 2028. Payable each year alongside vehicle excise duty at 3p per mile for electric and 1.5p per mile for plug-in hybrid vehicles. The detail on how this will be implemented and monitored is yet to be seen.

Corpad Summary

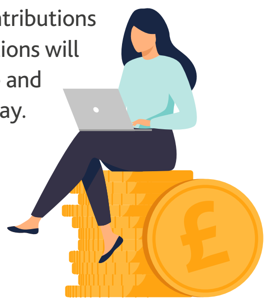
The measures announced today arrive at a time when many businesses and individuals are already managing tighter financial conditions and concerns about long-term retirement adequacy. Some of the changes could create additional pressure on both employers and employees, potentially affecting workforce planning and benefit strategy in the coming years.

Several elements of the proposals still require further clarification, including how they will be implemented and monitored. With a general election scheduled no later than August 2029, there is also the possibility that future policy direction may evolve before some of these measures take effect.

As always, Corpad will continue to track developments closely and ensure our clients are kept informed, supported, and well prepared.

What this means - Likely impacts on employers and employees

- For employees who currently make pension contributions via salary sacrifice, national insurance contributions will increase from April 2029 for both the employee and employer. Many may see reduced take-home pay.
- Employers may respond by reducing employer pension matching or overall benefit generosity to offset higher NI costs.



- Administrative burden will increase: payroll and pension-scheme arrangements will need updating; salary-sacrifice agreements will need reviewing and re-negotiating; communication with employees will be necessary ahead of April 2029.
- For many pensioners and soon-to-retire employees, the freeze on tax thresholds means more may pay income tax or NI on their pensions (especially state pensions). Even though state pensions seem set to rise under the triple lock next year, this "fiscal drag" erodes real-terms benefit.

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Our guidance to clients

Despite the headwinds, it is important to remember that the change to Pension Salary Sacrifice is not due to be implemented until April 2029, there are strategic ways to help clients adapt - and even use this moment as a competitive differentiator / value-enhancer.

Here's what we can do:

Reframe the narrative: "From tax-efficiency to value & communication"

- **Focus on long-term retirement security, not just tax' perks.** The suspension of large tax advantages does not eliminate the value of pension saving: what matters most is consistent contributions, good investment governance, and retirement readiness. Your pensions should be viewed as a core element of total reward and financial wellbeing, not just a tax-saving trick.
- **Demonstrate employer commitment.** Employers who maintain their pension contributions - despite NI headwinds - signal real commitment to employees' long-term security. That builds loyalty, trust, and retention.
- **Promote broader benefit strategy.** Revisit your Business's overall benefits mix: emphasise flexible benefits, financial education, health & wellbeing - these are valuable and offer goodwill to your employees.

Act early - before April 2029 to maximise value & certainty

- **Encourage maximising pension contributions before cap applies.** For those with capacity and desire to save more, it may make sense to accelerate pension savings (or restructure bonus deferrals) ahead of April 2029.
- **Review and revamp benefit communications now.** Use the period between now and the change-date to prepare clear, transparent communications for employees: explain the changes, modelling impacts, and show what the employer will do to support continued saving.
- **Reassess benefit cost/reward balance.** Work with employers to model the cost of continuing higher employer pension contributions vs. reputational and retention value: may well prove a net benefit, especially for talent retention in competitive sectors.

Use the change as a differentiator/market signal

- **Demonstrate your business as "long-term thinkers."** In a climate where many firms may shrink pension generosity, employers who commit to maintaining or increasing pension support can stand out as more employee-centric and future-oriented.
- **Offer support services.** At Corpad Employee Benefits Ltd, we proactively offer guidance to both employers and employees including services: impact analysis, modelling tools, communications templates, staff surveys, information sessions and implementation support - helping everyone navigate the change smoothly.

What Corpad Employee Benefits Ltd Can Do Now

Our Service-offering and Action Plan

1. **Impact & Strategy Review -** Corpad can model how the new rules affect different employee types (higher earners, mid-range, new joiners) and how employer contributions / benefit mix might be adjusted.
2. **Provide employee communications & education support -** template letters/emails; FAQs; webinars/workshops explaining the changes, implications, and benefits of staying invested for long-term retirement.
3. **Advise on alternative benefits / reward structuring -** e.g. increasing employer contribution matching, flexible benefit allowances, non-pension benefits with value (health, protection and wellbeing, etc.).
4. **Monitor regulatory/policy developments -** there is still potential for changes (or pushbacks) between now and 2029 - stay on top of updates and adjust advice as necessary.

Stay connected!

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