

BUSINESS



The November 2025 Budget contained several measures to boost AI adoption and support British science and technology companies to 'start-up, scale-up and stay in the UK'.

Artificial intelligence (AI) holds enormous potential for businesses in enhancing productivity, competitiveness and efficiency. However, adopting AI technology can be challenging.

Sector champions

New AI sector champions will promote the rollout of AI in industrial sectors in which AI can be at its most transformative. At present those sectors encompass professional business services and advanced manufacturing.

They will join the existing AI champion for clean energy and will work alongside the Sovereign AI Unit, formed in summer 2025 by the government Department for Science, Innovation and Technology (DSIT). The unit will invest in high-potential, new UK businesses to enable them to start trading and grow.

A wider reach

The BridgeAI programme, which opened in 2023, is expanding to support a wider range of business sectors to develop and deploy new AI solutions. A new AI Growth Zone in South Wales will benefit from £10 billion of private and government investment to create more than 5,000 local jobs. The zone will consist of several sites stretching from Newport to Bridgend.

The government is acting as a 'first customer' for UK start-ups that are building high-quality AI hardware products but need investment to provide the huge amount of hardware needed for data centres in the AI Growth Zones.

Although these measures are largely directed at the AI sector itself, the benefits will gradually percolate to all businesses. Generative AI, which creates new content out of information and data, can automate many processes, such as marketing and customer support, while nevertheless giving customers a personalised experience. Directors and senior staff can then concentrate on strategic business tasks, assisted by predictive AI, to help plan for future outcomes based on past data and events.

TAX

Welcome news on business relief changes

The inheritance tax (IHT) agricultural relief U-turns that came out before Christmas have been well publicised, but the changes apply equally to business relief.

Currently, qualifying business property included in a deceased's estate qualifies for 100% relief regardless of the value of the business property.

Timeline of changes

October 2024 Budget: The initial proposals would have restricted 100% business relief to a maximum of £1 million from 6 April 2026. For qualifying business property in excess of £1 million, relief would have been at the rate of 50%. On a business valued at £5 million, IHT would have potentially increased from zero to £800,000.

November 2025 Budget: The first U-turn saw the £1 million allowance made transferable to a surviving spouse or civil partner. Therefore, the amount of IHT on a business valued at £5 million could potentially be cut to £600,000.

December 2025 U-turn: In an announcement made just before Christmas, the government said that the 100% allowance will now be £2.5 million. The £5 million business property will therefore again be fully exempt if a surviving spouse or civil partner's allowance is available.

Cohabiting partners

Unlike married couples and civil partners, the £2.5 million 100% allowance is not transferable to a surviving partner where the couple are unmarried or not in a civil partnership. Although a long-term unmarried couple may be perfectly content as they are, the IHT downside of remaining so could well warrant a rethink.



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ISAs set for a shake up

Although the overall individual savings account (ISA) annual subscription limit of £20,000 is not changing, from 6 April 2027 the amount anyone aged under 65 will be able to save into a cash ISA each year will be capped at £12,000.

What is not changing

The following annual subscription limits will be frozen until 5 April 2031:

	Subscription limit
Overall limit	£20,000
Lifetime ISAs	£4,000
Junior ISAs	£9,000
Child trust funds	£9,000

If you're aged 65 and over, the cash ISA annual subscription limit will also remain unchanged at £20,000.

Cash ISAs

From 6 April 2027, the cash ISA limit will fall to £12,000, but only for savers aged under 65. Anyone who wishes to invest over £12,000 can still do so for 2025/26 and 2026/27, but they should plan to review their future investment strategy, especially as tax rates on savings income are going to increase by two percentage points across all tax bands.

Existing savings exempt

The changes only apply to new cash ISA savings from 6 April 2027 onwards, and interest on money already saved by then should continue to be tax free.

The government is trying to push people to invest more in stocks and shares ISAs. However, although returns are traditionally higher, there is considerably more risk especially if you're not investing for the longer term.

Lifetime ISAs

Lifetime ISAs have come in for criticism because of the 25% penalty charge which is applied to unauthorised withdrawals. The property cap of £450,000 (unchanged since Lifetime ISAs were introduced in 2017) and generally rising property prices, have prevented many from using their Lifetime ISA to help purchase a first home.

The government is therefore going to consult on introducing a new ISA product which can be used to save towards a first home.

Delayed bonus payments

Unlike the existing Lifetime ISA, where government bonuses are paid monthly, a bonus will only be paid when the new ISA is used to purchase a home. This will allow more flexibility in regard to withdrawals should a person's circumstances change.

Restrictions planned for salary sacrifice

The government will curtail the tax advantages of salary sacrifice arrangements involving employer pension contributions from April 2029, and only for contributions above £2,000 per year.

NICs exemption changing

From April 2029, only the first £2,000 of salary sacrificed pension contributions each year will be exempt from NICs, with contributions above £2,000 subject to employer and employee NICs.

- There will be no restriction on the amount that can be contributed to pension salary sacrifice arrangements, and – for contributions above £2,000 – the same tax treatment will apply as when an employee makes pension contributions personally.
- Pension contributions mean a reduction to the amount of income tax payable by the employee, and a reduction to taxable profits for the employer – saving corporation tax.
- Salary sacrifice is particularly beneficial for an employee who is paying income tax at an effective rate of 60% due to being caught in the personal allowance trap (where income falls between £100,000 and £125,140). Salary sacrificed pension contributions above £2,000 will still reduce this 60% liability.

Rather than sacrificing salary, bonuses are often redirected into a pension under a sacrifice arrangement. Such bonus sacrifice will also be caught by the changes.



Planning

The changes are over three years away but the impact could be considerable, so employers need to start planning.

Some may decide to keep salary sacrifice arrangements in place and accept the increased NICs cost and administrative hassle. Others may decide to simply stop offering pension contributions under salary sacrifice, although this will disproportionately impact lower-paid employees who lose out on the main rate NICs saving.

Pseudo salary sacrifice

Ordinary (non-salary sacrificed) employer pension contributions will continue to be exempt from NICs, so it might be possible to replicate the NICs advantage of salary sacrifice by restricting future salary growth and instead providing employees with higher ordinary pension contributions.

Companies House fees rise

Companies House increased its fees from May 2024, but another round of across-the-board increases are coming in from 1 February 2026

The cost of digitally incorporating a company with Companies House is currently £50, but this is to double to £100. The same day incorporation fee will also double to £156. Similar fee increases will apply if registering a limited liability partnership (LLP).

Every company, including dormant ones, must file a confirmation statement at least once a year. The cost is currently £34, and this is going up to £50; the fee was just £13 before May 2024. At least this fee covers a 12-month period. It's paid with the first filing during the period, with no further charge for any subsequent filings during the same period.

Despite the fee increases generally, the cost of voluntarily striking off a company or LLP is going to be reduced by 60% to just £13.

