CIOT President's page: A smorgasbord of tax (December 2025)

Welcomes



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After weeks of pre-Budget speculation, ‘pitch-rolling’ and ‘sound-boarding’, it was a relief when the Chancellor Rachel Reeves finally presented her 2025 Budget.

Any tax-raising Budget will have losers and, as economists note, the optimal way to raise taxes is to apply wide measures to the broadest base. Freezing the bands for both income tax and national insurance contributions (NICs) achieves this, and has the big advantage of being easy to implement.

The rest of the Budget presents a mix of assorted measures – which could best be described as a ‘smorgasbord’ – and sadly the UK’s tax code continues to expand in both size and complexity.

If you are updating your online tax calculators, note that the 2% rise in income tax rates applies to dividends, but not to the additional (top) rate, whereas all rates of income tax for savings and landlords gain 2%. That’s an annoying little complication

that adds yet another layer to an already tangled system. Long gone are the days when you could work out your tax ‘on the back of a fag packet’ – not least because we all use phones now and you can’t write on a vape.

Although I lack space here for a detailed Budget commentary, I would like to make a few observations. The decision to remove the £135 customs duty relief for low-value imports by 2029 has the potential to make a seismic change in retail business models. It may well help to mitigate the environmental impact of ‘fast’ goods and fashions – a fiscal change which can only be a good thing.

Following this Budget, HMRC will be lining up an expanding arsenal of tools aimed at ‘Closing the Tax Gap’. From a technological perspective, this is quite exciting – but it’s important for taxpayers to have safeguards too. This is precisely where our CIOT technical officers and technical committee volunteers are so brilliant at scrutinising the detail of new legislation.

Many business owners will be pleased to see that the £1 million inheritance tax business property and agricultural property allowance will be transferable between spouses. It seems that the exhaustive lobbying by trade organisations – and considered representations from CIOT – did have some effect on the chancellor after all. Taxpayers never seem to really care about the fact that the inheritance tax nil rate bands are frozen, which is always a bonus for chancellors!

Council tax was another obvious tax-raising measure. In fact, back in November the CIOT and IFS held a joint debate on ‘Reforming the taxation of housing’. The two economists on our panel were in total agreement, which was novel: if you want to tax property wealth, council tax is the obvious vehicle. There is a wide enough base with a lot of households to tax and it’s ripe for reform. Council tax bands are strangely based on 1991 values and not on current house prices. Band D sets the base level: all the other bands are a ratio of band D. The fundamentally unfair issue with this tax is that the amount of council tax paid by a household is purely dependent upon location. Band D ranges from £998 to £2,691 – and ironically the lowest tax is paid in London where property prices are the highest. It would be far more logical, if one were trying to redistribute wealth, to base council tax on actual market values rather than an outdated valuation, especially when so much of our housing stock has been built since the 1991 base year.

It's also surprising that the general public doesn’t complain more about council tax – a tax set locally by local authorities, many of which appear to struggle to control their own finances.

At our debate, economists were in favour of raising more tax revenue from households in bands G and H, with the extra amount raised going back to central government. The Chancellor has adopted a version of that plan, instead creating new versions of these bands – properties of £2 million to £5 million, and those above £5 million. It strikes me, in the cold light of day, that this might be slightly unwieldy to administer, and property valuers are in for a windfall.

I wonder if it would instead be better to make a fundamental reform of both council tax, and its administration and collection? I have thoughts on that but, alas, no more space.

Wishing you all a wonderful time for the upcoming festive season.