The Autumn Budget 2025 | The Impact On Landlords



The Chancellor, Rachel Reeves, delivered her second Autumn Budget on 26th November, setting out a range of changes to how income from property is taxed. In the lead-up to the Budget, many landlords and letting agents feared the introduction of National Insurance on their rental income.

In our recent survey,

61%

of letting agents described this as their biggest concern for landlords.

However, whilst that particular measure wasn't introduced, the announcements revealed from inside the Chancellor's famous Red Box will nevertheless increase tax liabilities for all landlords.

In this infosheet, we outline the confirmed changes, and share some of the immediate reactions from across the sector.

The Headlines

- No National Insurance on rental income.
- Property income tax to rise by two percentage points from April 2027.
- High-value homes worth £2m and above will face a new council tax surcharge from 2028.
- Dividend tax to rise by two percentage points from April 2026.
- Income tax thresholds remain frozen, increasing fiscal drag.

> *It is a tough budget for landlords... The increase in tax on rental income, combined with frozen thresholds, will press landlords doubly.*
>
> **Source. LinkedIn*



David Smith

| Partner, Spector Constant & Williams

SC&W

WHAT IS A FISCAL DRAG?

Fiscal drag is when more people move into a higher tax bracket purely because inflationary wage rises are not met with increasing tax thresholds.

Property Income Tax Increase



From April 2027, the tax rates applied specifically to income from property will rise by two percentage points, across all bands.

This means that rental income will no longer be taxed at the same rates as employment income; instead, landlords will face higher, ring-fenced property-income rates of:

Rate Type	New Rate
Basic	22%
Higher	42%
Additional	47%



It's not fair that the tax system treats different types of income so differently, and so I will increase the basic and higher rate of tax on property by two percentage points, which will increase the tax landlords pay on rental income and raise an estimated £500m a year.

Rt Rachel Reeves | Chancellor of the Exchequer. MP for Leeds West and Pudsey

These higher rates will apply to taxable rental profit, which is calculated using the existing property-income rules – which means that allowable expenses such as repairs, insurance, management fees and safety compliance can be deducted before tax is calculated.

For many landlords, the impact will be:



Annual Rental Profit	Estimated Additional Tax
£10,000	£200
£25,000	£500
£50,000	£1,000

The 2% increase will be on profits rather than turnover, but I suspect it will be passed on in higher rents.

**Source. LinkedIn*



Suzanne Smith | The Independent Landlord

However, because of Section 24, some landlords already find that the rental profit they declare is higher than their real net return.

SECTION 24

Since the introduction of Section 24 began being phased in from 2017, landlords can't deduct mortgage interest as an allowable expense when calculating their taxable rental profit. Instead, they receive a 20% tax credit on their finance costs.

As the new 2% property-income tax rise applies to this taxable profit figure, the impact is set to be higher for those landlords with a mortgage.



New Council Tax Surcharge For £2m+ Homes

Also announced, was a high-value council tax surcharge which will apply to properties valued at £2 million or more.

The bands will be as follows:

Property Value	Council Tax Surcharge
£2,000,000 to £2,500,000	£2,500
£2,500,000 to £3,000,000	£4,000
£3,000,000 to £5,000,000	£5,000
£5,000,000 and above	£7,500

The measure is expected to affect around 100,000 properties, largely in London and the South East; although no assessment has been done on how many of these are rental homes.



A High Value Council Tax Surcharge will disproportionally hit homeowners in London and the South East. Furthermore, placing further financial pressures on landlords through increasing additional rates of property income tax will simply increase rents, as costs are passed on to tenants. Ultimately, this feels like a missed opportunity to support renters, home buyers and sellers and promote greater economic activity through the housing market.

Timothy Douglas | Head of Policy and Campaigns propertymark

Dividend Tax Increase

Meanwhile, landlords who choose to operate through a limited company and receive the profits through dividends will also be affected; this is because the tax on dividends will rise from April 2026 – also by two percentage points.

FOR EXAMPLE

A portfolio landlord receiving £60,000 per year in dividends faces around £1,200 additional tax annually.

Income Tax Threshold - Frozen

Extending a policy put in place by the previous government in 2021, personal tax thresholds have been frozen again until 2031. This continuing fiscal drag will pull more landlords into higher rates.

In a response leaked in advance of the budget statement, The Office for Budget Responsibility warned about the impact on landlords and the wider housing market, saying:

Office for Budget Responsibility

The measures announced in this Budget reduce returns to private landlords, following various measures over the past 10 years that have also reduced returns. This successive eroding of private landlord returns will likely reduce the supply of rental property over the longer run. This risks a steady long-term rise in rents if demand outstrips supply

The Office for Budget Responsibility

What This Means For Your Landlords

The combined impact of tax increases, frozen thresholds, and a new high-value council tax surcharge means many landlords will see reduced yields.

Combined with the new Renters' Rights Act – much of which takes effect from 1st May next year, these measures form part of a broader shift towards tighter conditions for the private rented sector.

Together, these developments reflect a clear direction of travel: tighter finances, stricter compliance and stronger operational conditions across the sector.



However, despite these new pressures, it's important to recognise that property remains a strong long-term asset; and for many landlords, the capital growth over the longer term is where the real value lies.

UK house prices have historically risen over the long term, even with the occasional economic shock; and as a result, residential property continues to be one of the most secure investment decisions.

However, maximising and protecting rental income becomes more important than ever. Rising costs and tighter taxes means that any arrears can have a far greater impact on a landlord's ability make a profit.

Rent & Legal Protection plays a vital role in providing this stability.

For agents, helping landlords understand and access this protection is now an essential part of supporting them through a changing market.

By providing reassurance, certainty and practical safeguards, agents can help landlords continue to invest with confidence, even as the landscape evolves.





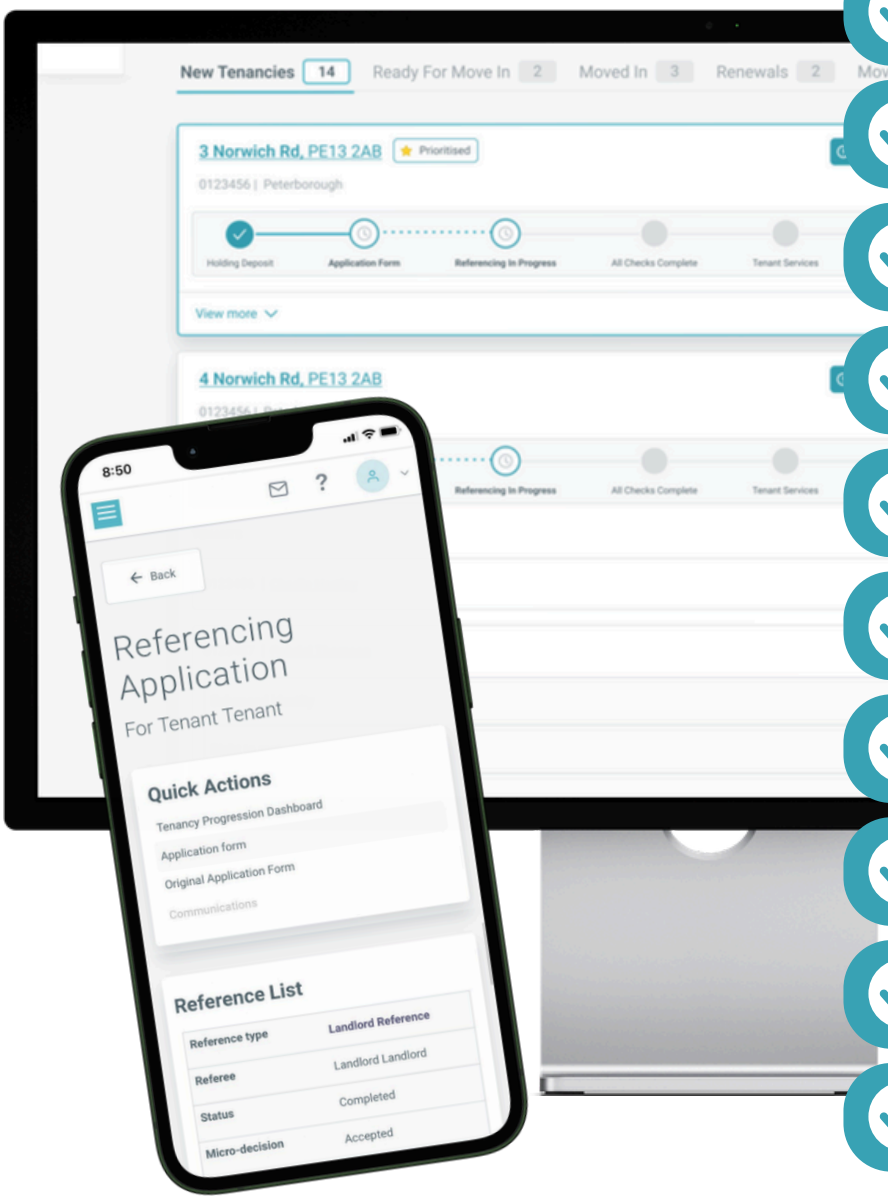
While these changes target higher earners, they will inevitably ripple through the private rental market. Landlords facing reduced margins are likely to pass these costs on to tenants, and the Office for Budget Responsibility has warned this could push rents up significantly. Combined with existing pressures such as mortgage interest rates and compliance costs, renters may find affordability stretched even further. At The Lettings Hub we believe this underlines the urgent need for greater transparency and affordability in renting.

Gary Barker

| Chief Executive Officer of The Lettings Hub & Canopy

BOX FROM THE LETTINGS HUB

At The Lettings Hub, we're always here to support you through the ever-changing lettings landscape. With the Renters' Rights Bill introducing new regulations, staying updated is crucial. That's why we offer a variety of resources to help you navigate these changes smoothly. From webinars and blogs to tailored guides, our platform is packed with expert insights. Be sure to follow us on LinkedIn and bookmark our Renters' Rights Hub for the latest updates, tips, and advice.



- Tenant PreQualification
- Elite Referencing
- IDVT Know Your Customer
- Section 13 Rent Reviews
- Contract Updates
- Rent and Legal Protection
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