Autumn 2025 Budget
BMA analysis

Background

After weeks of speculation, the 2025 Autumn Budget was finally delivered on 26 November, containing a raft of measures which will increase both tax revenue and discretionary spending. Following the last budget, the Chancellor declared that spending had been set for the course of this Parliament, and she would not be back with more tax rises. However, a difficult year had arguably left the Chancellor with little choice but to take action to ensure a balance budget.

Crucially, changes in the forecasts produced by the Office for Budget Responsibility (OBR) left the Chancellor at risk of breaking her self-imposed fiscal rules. The two specific revisions included:

- Downgrading productivity – projected increases in productivity were revised down to just 1% a year, with a knock-on effect on overall growth
- Higher inflation – while inflation has fallen consistently over the past year, it remains above the 2% target and is expected to remain higher than predicted in March[1]

This created a dual fiscal problem for the Chancellor; weakened improvements in productivity hampers growth, ultimately reducing projected tax revenue, while higher inflation drives up certain costs for government including welfare benefits and state pensions. While these changes were modest, their combined effect left the Chancellor needing to increase revenue or cut spending to balance the day-to-day spending of government by 2030, in line with the most prominent of her fiscal rules.

The Chancellor has opted for tax rises to sustain spending and investment to kickstart economic growth. Measures announced in this budget are expected to raise an additional £26 billion in government revenue by 2029/30. However, much of this will be used to compensate for shortfalls in tax revenues or higher costs due to the changes in the OBR forecast set out above, fund new commitments announced in the budget, and provide additional fiscal headroom for future budgets. This means many departments and services, including the NHS, will see spending growth reduced towards the end of the Parliament, as previously planned in the Comprehensive Spending Review (CSR), and this will likely be further eroded by higher-than-expected rates of inflation.

This briefing sets out the key policies announced and how they might be expected to impact BMA members. In the lead up to the budget, the Chancellor declared protecting the NHS and bringing down waiting lists was a core priority. However, there was little in the budget to suggest a significant increase in resources would be made available, and it remains uncertain this Government's ambition for the health system as set out in its recently published 10 Year Health Plan is viable without serious reconsideration of the planned spending constraints.

This briefing is split into the following sections:

- What the budget means for the NHS – funding streams for NHS and wider health services

1 The last OBR Economic and Fiscal outlook publication

- What it means for doctors – the potential for fiscal policies to impact individual BMA members
- What it means for GP employers – the implications this budget has for the costs facing GP surgeries
- What it means for public health – exploring how fiscal policy is looking to influence public health outcomes

What this budget means for the NHS

Bringing down waiting lists and improving the NHS was a stated ambition of the Chancellor. The CSR set out the broad fiscal envelope for the NHS, with day-to-day spending set to rise by 3% a year in real terms until 2028/29, an amount the BMA has argued is insufficient to deliver sustained improvements.

However, this budget did contain some new information on health spending over the coming years, explored below.

NHS spending and investment

Day-to-day spending

There was no additional new day-today spending announced in the budget Instead, the OBR has suggested that day-to-day spending pressures on previously announced revenue budgets will likely intensify. It notes that higher spending on drug prices is extremely likely depending on the outcome of negotiations over branded medicine. Moreover, the rate of spending growth for the NHS is expected to fall to just 2.6% a year from 2028/29 due to higher rates of inflation. This is significantly lower than not just the 4.3% real terms increase the BMA has called for as the minimum necessary to sustain the service while delivering much needed improvements in pay and working conditions, but also the historic average of 3.7% since its creation.

Across Government, there is an expectation that efficiency savings will be made over the course of this Parliament. It is expected that efficiency savings will be worth £4.9 billion by 2030/31. The NHS and the Ministry of Defence are two departments that have been allowed to retain and reinvest their savings. While the 10 Year Health Plan set out an ambition of achieving annual productivity increases of 2%, it is worth remembering that the OBR has downgraded overall annual productivity growth across the economy to just 1% over the coming years. Whether this reform allowing the NHS to re-invest efficiency savings will generate additional funding will heavily depend on whether the NHS is able to meet what appears to be ambitious productivity targets.

Capital spending

The budget however announced some additional capital investment into the NHS. The budget confirmed that an additional £300 million would be made available to support the adoption of new technologies across the NHS and drive the desired shift from analogue to digital. This will be used to make improvements to the NHS app, improve access to patient records and better integrate care across the primary/secondary care interface. This is alongside additional investment into new Neighbourhood Health Centres (see below).

Devolved nations funding

Where applicable, this briefing includes details on how the policies announced in the budget will affect the UK or individual devolved nations. The overall funding commitments of the budget mean that the devolved governments will receive an additional £1.7 billion through the Barnett formula, with £1.07 billion for day-to-day spending and £625 million in capital funding:

- Scotland: An additional £510 million resource funding and £310 million capital funding

- Wales: An additional £320 million resource funding and £185 million capital funding
- Northern Ireland: An additional £240 million resource funding and £130 million capital funding

How this additional resourcing will be used will be a matter for respective devolved governments.

Neighbourhood Health Centres

The 10-Year Health Plan for England committed to introducing Neighbourhood Health Centres in local authorities across England. These have been envisaged as holistic hubs to provide primary healthcare services alongside a range of other health and social services aimed at improving health outcomes. In the budget the Chancellor re-announced that 250 new Neighbourhood Health Centres would be established, with 120 to be operational by 2030.

However, rather than committing a specific level of funding, the budget only alludes to a Neighbourhood Rebuild Programme which will rely on Public Private Partnerships (PPP). It suggests that PPP models will combine with public investment and be held on government's balance sheets as a means of funding upgrades to or repurposing existing healthcare facilities, as well as and creating of new facilities to become Neighbourhood Health Centres.

The BMA has long been critical of the use of private finance within the NHS. The previous and notorious model of Private Finance Initiatives (PFI) generated substantial long-term costs for relatively little investment, which continues to harm NHS budgets to this day. The return of PPP as a means of funding healthcare will likely be a major concern.

What the budget means for doctors

The budget included a range of measures to increase taxes and the amount that individuals would pay. For many doctors, there is a likelihood that their income will be affected by these measures, in ways that are detailed below:

Core tax rises

There were rumours that the Chancellor would consider directly violating a manifesto commitment to not raise the rate of income tax, National Insurance, or VAT. Ultimately, the Chancellor opted to not increase the standard rate of these taxes. Instead, the thresholds at which people pay lower and higher rates of income tax have been frozen for a further three years.

Freezing tax thresholds increases the amount of revenue income tax can raise through a process known as fiscal drag; workers experience a nominal increase in their earnings and end up being dragged into a higher tax bracket. As the threshold is frozen, the real value point of when workers pay different rates of tax diminishes and so many workers will pay more tax, with the effect being particularly pronounced among those on the verge of the higher rate – which will likely include many resident doctors. The exception to this will be those living in Scotland, as this is partially devolved, and we will need to wait until the Scottish Government publish their annual budget to see if they will follow the path set by the UK Government.

Salary sacrifice pensions

Another major tax policy announced concerned salary sacrifice pensions. A new annual cap of £2,000 will be implemented on tax-free pension contributions from April 2029. Any additional contributions that surpass the cap will be subject to both employee and employer National Insurance.

Doctors with an NHS pension will not be impacted by this reform, because their gross salary is already subject to national insurance before pension contributions are made.

However, those working in the private sector with an alternative pension scheme could find themselves paying more tax on pension contributions and GP employers offering their staff a salary sacrifice scheme will face higher employer NICs contributions if their staff contribute more than £2k into their pension annually.

Property, dividends, and savings taxes

To ensure income earned from assets is taxed more fairly, policies were announced aimed at increasing tax on income from property, dividends and savings. This will take the form of:

- A separate tax rate for property income, with the basic rate set at 22%, and the higher and additional rates set at 42% and 47% respectively. This will be implemented from April 2027
- Increasing the upper rates of tax on dividend income by 2 percentage points from April 2026
- Increasing the tax rate on savings income by 2 percentage points across all bands from April 2027.

The government argues that the majority of taxpayers, including almost all pensioners do not derive sufficient income from these sources to be impacted by the tax. However, doctors with such income streams should be aware of these changes. While the changes to taxation on dividend and savings income will apply UK wide, the property income rates will not be applied in Scotland.

In addition, there will be changes to cash ISAs, a popular savings vehicle. An ISA is a savings account which generates tax free interest. At present up to £20,000 can be contributed to a cash ISA each tax year. However, from April 2027, those under the age of 65 will be subject to a £12,000 limit on how much they can contribute each tax year. This change is being implemented in the hope that it will nudge people to save their money in more productive investments.

Mansion tax

A widely touted mansion tax was introduced in the budget. In reality, this marks the introduction of a High Value Council Tax Surcharge in England for residential properties worth £2 million from April 2028. This will be based on updated valuations to identify those properties above the threshold. Charges will be set at £2,500 but rise to £7,500 a year for properties above £5 million and will be levied on property owners.

While this could be seen as a serious effort to tax wealth, there have been some concerns over the way in which this tax has been implemented. Specifically, the prospect of a cliff-edge, where property values over a given point are subject to the surcharge may distort property markets around this price point. It is also likely that some BMA members, especially those with properties in London and the South East of England where property prices are generally higher, could be impacted by this reform.

Student loan thresholds

The budget announced that certain student loan thresholds would remain frozen. The Plan 2 student loan threshold will be frozen,[2] further converging the rate at which repayment begins with the minimum wage. The government argues that this is fairer as graduates earn more through their career, and this will increase the real amount that is paid each year. However, it also acts as a de facto tax on earnings which will raise costs for younger graduates, including those with medical degrees starting their career, at a time when inflation is expected to remain above target.

2 Plan 2 student loans impact students from England who started university between 2012 and 2022, and those in Wales who have started university since 2012

What the budget means for GP employers

Beyond the commitment to Neighbourhood Health Centres, there was little in the budget directly related to GPs, despite their crucial role delivering primary care. With inflation higher than expected, it is likely the cost pressures that GP employers have endured over recent years will continue to impact their service provision. Without any additional funding, there were some announcements in the budget that will likely push costs up even further.

Employer NICs

Frozen tax thresholds equally impact employers. The chancellor announced that, the secondary threshold for employer National Insurance Contributions will remain frozen at £5,000.

There is also the possibility that GP practices who have staff in non-NHS salary sacrifice pension schemes may face higher employer NICs, if a member of staff contributes more than £2,000 a year into their salary sacrifice pension.

National Living Wage

Both the National Living Wage (NLW) and National Minimum Wage (NMW) are set to increase. The NLW will rise by 4.1% to £12.71 an hour, while the NMW for 18–20-year-olds will increase by 8.5% to £10.85 an hour and for 16-17-year-olds/Apprentices, by 6% to £8 an hour from next April. For many GP surgeries, this will represent an additional spending pressure, at a time when many are still reeling from the increase in employer National Insurance Contributions announced at the last budget. It will be important for government to recognise that additional cost pressures will require additional funding if they want GP surgeries to have the capacity to meet the needs of their communities.

It is likely this cost increase will also impact the social care sector. Without additional resource to meet these higher costs, this could further reduce the supply of social care or result in a worsening of working conditions. This would put further pressure on both primary care providers and hospitals who routinely deal with the consequences of inadequate social care leading to further delays which could undermine efforts to reduce waiting lists.

What the budget means for public health

Public health sits at the heart of the prevention agenda, which the government has claimed as a major ambition. The budget contained several distinct fiscal policies aimed at directly improving public health outcomes, as well as welfare reforms to tackle the root causes of poor health such as poverty.

Public health initiatives

There are several measures announced in the budget whereby fiscal policy is actively addressing public health issues. These include:

- **Soft Drinks Industry Level (SDIL) reforms** – The SDIL has played an effective role in reducing the sugar content of soft drinks through reformulation and this budget commits to reducing the threshold at which the SDIL applies from 5g to 4.5g, uprating the SDIL in line with CPI inflation, and extending the SDIL to pre-packaged milk-based drinks with added sugar. These are policies the BMA has called for and supports but will not be implemented until January 2028.
- **Duty tax extension and uprating** – the duty tax applied to alcohol will be uprated in line with RPI inflation from February 2026, while the duty imposed on tobacco products will be increased by RPI + 2 additional percentage points immediately.

- **Gambling** - In addition, the Remote Gaming Duty will be increased from 21% to 40% from April 2026 and a new Remote Betting Rate will be introduced to curb problem gambling from April 2027. The BMA has in the past called for levies on gambling companies, but this needs to be accompanied by stronger regulations to effectively prevent gambling harm.

The budget also included commitments to tackle rogue retailers selling tobacco and vape products. These steps are welcomed by the BMA and should be built upon by government to improve public health outcomes in the coming months.

Sadly, the inadequate growth in overall health budgets will likely mean that the wider spending on public health, including the BMA ambition to restore the Public Health Grant will unlikely be achieved in the next year.

Welfare reform

The single biggest welfare measure announced in the budget was the scrapping of the two-child limit for Universal Credit claimants. The BMA has previously commented on welfare issues, including earlier this year, to criticise proposals to restrict access to health-related benefits, on the grounds that this can exacerbate poverty, damage health outcomes and put greater pressure on the NHS.

It was therefore welcome that the government announced they would scrap the two-child limit which has been a major driver of child poverty. An estimated 450,000 children will be lifted from poverty by this measure with many more in households which will benefit from a rise in income. This is an important step towards supporting young people to enjoy a better childhood and reduce the risk of worse health outcomes both in childhood and later life, among those who grow up in poverty.

There will be questions over whether this has any implications for the wider benefit system, and whether the government will look to make further reforms to reduce spending in other parts of the welfare budget. However, at present, this should be recognised as a welcome step towards eliminating child poverty and improving general health outcomes for families across the country.

Final reflections

This is undoubtedly a significant budget for this government. Economic conditions remain precarious, and growth has been revised downwards for every year after this one. The tax measures announced in this budget will more than offset the squeeze in government revenue that lower growth and higher inflation was expected to have. However, much of this additional revenue will be used to maintain planned spending and provide a larger buffer for government to ensure they are keeping to their fiscal rules.

The Government has managed to avoid raising the headline rate of the major taxes. This has meant a far greater range of taxes have been implemented instead, and there will be questions over the real-world economic implications of these decisions. It also means that the tax distribution is likely to change, with households just above the middle of the income distribution more heavily impacted than the very richest households.

Furthermore, the reality is that despite another budget of substantial tax rises, public spending growth remains insufficient. The NHS was widely seen as a winner at the CSR but with inflation, its spending trajectory is set to slow further, rising by just 2.6% a year in real terms from 2028/29 onwards. This is not enough to maintain the current service, let alone deliver desperately needed improvements in pay and working conditions for staff, and the various ambitions set out by the 10-Year Health Plan.

The economic turmoil of recent years might also persist. This year has shown that economic shocks and underperformance can have a significant impact on public finances. Whether this budget will be enough to kickstart growth remains to be seen, but what is certain is that there is a long road to recovery, for our economy and for the NHS. The success of this Budget will be determined over the next year and whether the Chancellor will be able to avoid another year of stagnation that requires another round of tax rises or spending cuts.