Tax Year End planning guide

Getting to grips with the basics

- Your main tax planning opportunities for the end of 2025/26 tax year
- Don't miss the tax year-end deadline – 5 April 2026
- Using your Dividend Allowance
- Understanding the tax on your pension, ISAs, IHT and CGT
- We're here to help

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End of Tax Year planning

As the end of the tax year approaches, now is the perfect time to ensure you have your financial affairs in order and to double check that you've taken advantage of all the tax-efficient allowances available to you.

Your pension

You can pay as much money as you want into your pension, but there's a limit on how much tax relief you can get each year. Tax relief means that some of the money you contribute to your pension is deducted from your taxable income, which can lower the amount of income tax you have to pay.

This Annual Allowance is currently £60,000. This allowance is the maximum you can save into your pension each tax year (6 April to 5 April) while still receiving tax relief. It applies across all your pension schemes combined – including contributions from you, your employer, and any third parties.

Important points to note:

If total contributions exceed £60,000, no matter who contributes, you may face an additional tax charge.

You can only contribute up to the amount of your 'relevant UK earnings' personally. If your earnings are less than £60,000, you cannot use the full allowance yourself but your employer can still contribute up to this amount.

If your income is high, your allowance may be reduced under the tapered annual allowance, although it cannot fall below £10,000.

If you have unused allowance from the previous three tax years, you may be able to carry it forward, helping to boost pension savings tax efficiently.

Threshold Income: This is your total taxable income (excluding pension contributions) those earning over £200,000 may want to consider how the rules affect them, as tapering may apply.

Adjusted Income: This includes your taxable income plus pension contributions. If this exceeds £260,000, your Annual Allowance is reduced by £1 for every £2 over the £260,000 limit.

For more information you can visit Moneyhelper.

The Lifetime Allowance of £1,073,100 was removed from 6 April 2024.

6 April 2024, although if your pension is expected to exceed £1,000,000 you may want to seek advice.

If you have children under 18, a spouse who does not work, or who may not be earning enough to pay Income Tax, you can invest into a pension for each of them. The maximum annual contribution you can currently make is £2,880 which, along with tax relief, would amount to £3,600 a year.

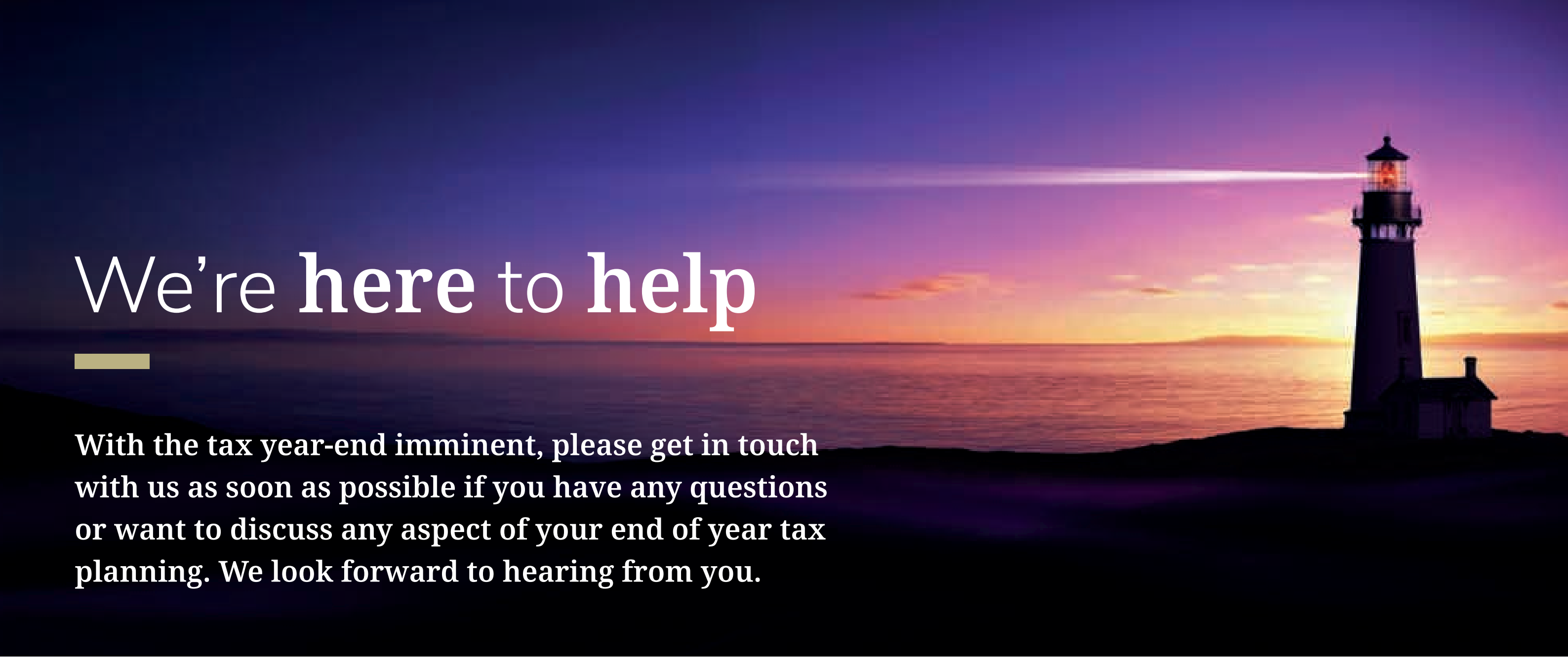
Your Individual Savings Account (ISA) allowance

The ISA allowance is £20,000 for the 2025/26 tax year. You can put all the £20,000 into a Cash ISA, or invest the whole amount into a Stocks and Shares ISA. Please note from 6 April 2027 this will be reduced to 12k for those under 65. You can also mix and match, putting some into Cash, some into Stocks and Shares and the rest into Innovative Finance if you wish. However, the combined amount can't exceed your annual ISA allowance. From April 2024, it was made possible to subscribe to multiple ISAs of the same type each tax year.

ISAs are a way of topping up retirement income. There is no Income Tax or Capital Gains Tax (CGT) payable on ISA proceeds. You cannot carry over your ISA allowance once the tax year has ended. Another available option is a Lifetime ISA.

The value of your investment can go down as well as up so you might not get back the amount than you put in. And, the value will be less than you put in if you take out more than the amount it's grown by.

Tax rules can change and the impact of taxation and any tax relief depends on your circumstances, including where you live.



We're **here** to **help**

With the tax year-end imminent, please get in touch with us as soon as possible if you have any questions or want to discuss any aspect of your end of year tax planning. We look forward to hearing from you.

Junior ISA contributions

Junior ISAs (JISAs) are a tax-efficient way to build up savings for your children (and grandchildren) and can be opened for any child under 18 living in the UK, unless they already have a Child Trust Fund (CTF).

The money can be held in cash and/or invested in stocks and shares. They work in exactly the same way as your own ISA, however, the maximum investment is £9,000 per child.

The value of your investment can go down as well as up so you might not get back the amount you put in.

Annual subscriptions for ISAs, Lifetime ISAs (LISAs) and JISAs have been frozen until 5 April 2030.

Gifting for Inheritance Tax (IHT) purposes

You can make gifts worth up to £3,000 in each tax year. These gifts will be exempt from IHT on your death. You can carry forward any unused part of the £3,000 exemption to the following year but if you don't use it in that year, the exemption will expire.

Certain gifts don't use up this annual exemption, however, there is still no IHT due on them e.g. wedding gifts of up to £5,000 for a child, £2,500 for a grandchild (or great grandchild) and £1,000 to anyone else. Individual gifts worth up to £250 are also IHT free.

These are relatively small amounts, but using these allowances where possible can gradually reduce the overall estate value.

IHT update

During the Autumn Budget 2024, the freeze on IHT thresholds (£325,000) was extended to 2030. From April 2027, pension pots will be considered part of taxable estates. This significant shift is likely to result in more estates facing IHT, especially for those who have relied on pensions as a tool for inheritance planning.

Using your Capital Gains Tax (CGT) allowance

The **Capital Gains Tax (CGT)** allowance, also called the **Annual Exempt Amount**, is the amount of profit you can make from selling assets such as shares, investments, or property (excluding your main home) before you have to pay Capital Gains Tax.

Every individual is entitled to a CGT annual allowance which is currently £3,000 (£1,500 for trusts). You can't carry forward this relief and so you may look to crystallise gains up to this amount before the end of the tax year. Capital losses can also be used to offset gains.

Above the CGT allowance, basic rate tax-payers selling investments would pay CGT at 18%, with higher rate tax payers paying at 24%.

Spouses have two annual exemptions between them and can take advantage of the rules allowing assets to be gifted with no CGT implication until the asset is subsequently disposed of.

Using your Dividend Allowance

For the current tax year, investors can earn up to £500 in dividend income tax-free.

How much tax you pay on dividends above the Dividend Allowance depends on your Income Tax band:

Basic rate	**8.75%**
Higher rate	**33.75%**
Additional rate	**39.35%**

You might need to pay tax depending on your circumstances and the options you choose. As tax can be complex, before you make a decision, you might want to speak to a financial adviser. They can help you understand the tax rules and how they'll affect you. You can also get information by contacting HMRC directly.

Don’t forget...

...the tax year-end deadline is 5 April 2026

Here’s a reminder of the main tax planning opportunities:

- **Individual Savings Accounts (ISAs)**
  Maximum contribution of £20,000 each
- **Junior Individual Savings Accounts (JISAs)**
  Maximum contribution of £9,000 per child
- **Gifting for Inheritance Tax (IHT) purposes**
  Up to £3,000 a year
- **Using Capital Gains Tax (CGT) allowances**
  £3,000 Annual exemption per person

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Important information
This information is not a personal recommendation for any particular investment. If you are unsure about the suitability of an investment you should speak to a financial adviser. We are unable to give financial advice. If you are unsure about the suitability of your investment, speak to a financial adviser. The views expressed in this document should not be taken as a recommendation, advice or forecast.

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