Market View
Tax year end planning 2026

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At a glance

As tax year end is just a month away, our wealth planning team have summarised the key considerations.

This year marks notable changes, such as changes to Agricultural and Business Property Relief.

It is essential for individuals to be aware of their tax allowances and the upcoming changes.

As we approach the end of the 2025/26 tax year on 5 April 2026, now is a good time to review your finances and make sure you are making full use of the tax allowances and reliefs available to you. Sensible planning now can help reduce your tax bill and keep more of your money working towards your long-term goals.

Several changes to allowances and tax rates are due to come in from 6 April 2026, so it may be advantageous to act before the year end where appropriate.

The Chancellor, Rachel Reeves, will deliver the Spring Statement on 3 March 2026. While major policy changes are not expected, the government's forecasts could still influence future decisions about taxation and spending. Keeping an eye on this announcement can help you understand any future changes to tax and what they could mean for your finances and long-term plans.

Maximising ISA allowances

Individual Savings Accounts (ISAs) remain one of the simplest and most effective ways to invest tax-efficiently. In 2025/26, individuals can contribute up to £20,000 across cash ISAs, Stocks and Shares ISAs and other permitted types.

Any income (interest or dividends) and growth within an ISA are free from UK income tax and capital gains tax (CGT). Since the allowance can't be carried forward, using it each year can play an important role in long-term wealth planning.

For children, Junior ISAs provide a separate allowance of up to £9,000 per child in 2025/26, offering a tax-efficient way to invest for their future.

Maximising pension contributions

Pension contributions can be a highly effective way to reduce taxable income while benefiting from tax relief. For the 2025/26 tax year, most individuals can contribute an annual allowance up to £60,000, although the sum eligible for tax relief is limited to the level of your earnings. In simple terms, you cannot receive tax relief on contributions higher than your earnings. In practice, this means you can make tax-relievable contributions up to either £60,000 or 100% of your UK relevant earnings – whichever is the lower. Those without earnings can still contribute up to £2,880 net (£3,600 gross, including basic rate tax relief).

For higher earners, the tapered annual allowance may reduce how much you can pay in and continue to receive tax relief. For those with threshold income (total taxable income after certain reliefs, excluding pension contributions) above £200,000 and adjusted income (total taxable income plus pension contributions) above £260,000, the annual allowance can taper down to a minimum of £10,000.

It's also possible to carry forward unused allowance from the previous three tax years if an individual was a member of a registered pension scheme during that time. In some cases, this could allow tax-relievable contributions of up to £220,000 gross (£176,000 net).

Contributions for a spouse, civil partner or children (within limits) can also form part of wider family and long-term retirement planning.

Tax-efficient investing via Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs)

Certain government-backed investment schemes can offer attractive tax advantages for those willing to accept higher levels of investment risk. Enterprise Investment Schemes (EISs) and Venture Capital Trusts (VCTs) are designed to encourage investment into smaller and early-stage companies, and provide a range of tax reliefs in return.

EIS investments give 30% income tax relief on up to £1 million per year, increasing to £2 million when the excess is invested in qualifying knowledge-intensive companies. Gains are free from CGT if the shares are held for at least three years, and income tax relief can be carried back to offset tax paid in the previous year.

VCT investments currently provide 30% income tax relief on up to £200,000 invested in 2025/26, though this is due to fall to 20% from 6 April 2026. Dividends from VCTs are tax-free, and there's no CGT on disposal.

Making use of tax bands and personal allowances

Reviewing how income and assets are held between spouses or civil partners can help ensure both individuals' personal allowances, basic rate bands and savings/dividend allowances are fully utilised. In some cases, transferring income-producing assets before the year end may reduce the overall family tax liability, within the rules.

Income tax bands (2025/26):

- Personal Allowance: £12,570 (tapered by £1 for every £2 over £100,000, down to nil at £125,140)
- Basic Rate (20%): Up to £37,700
- Higher Rate (40%): £50,270 – £125,140
- Additional Rate (45%): Above £125,140

From 6 April 2026, dividend tax rates will increase by 2% to 10.75% for basic rate and 35.75% for higher rate taxpayers, while the additional rate will remain at 39.35%.

Capital gains tax and investment planning

In the 2025/26 tax year, each individual has a CGT allowance of £3,000. Realising gains up to this allowance before the year end means profits can be "crystallised" without paying CGT, instead of leaving them unrealised.

Where appropriate, gains can be spread across multiple tax years or transferred between spouses to make better use of available exemptions and lower tax bands. Tax-efficient wrappers, such as ISAs and pensions, also remain valuable for sheltering investment returns from CGT and income tax.

CGT Rates (2025/26):

- Basic Rate: 18%
- Higher Rate: 24%
- Residential Property: 24% (CGT reported within 60 days of disposal)

The CGT rate on qualifying business disposals will rise from 14% to 18% from 6 April 2026. Business owners considering a sale or exit may want to review whether completing all or part of a transaction before this date could be beneficial, taking commercial and personal factors into account.

Gifting and inheritance tax (IHT) considerations

Individuals can gift up to £3,000 each tax year free of IHT, with any unused allowance from the previous year carried forward (up to £6,000 when combining this year and last year's allowance). Smaller, regular gifts from surplus income may also qualify for exemption, which can be a useful way to support family while gradually reducing potential IHT.

With upcoming reforms, it is important to review estate planning and business or agricultural arrangements. From 6 April 2026, 100% relief will be limited to the first £2.5 million of combined business/agricultrual qualifying property, with 50% relief above this. Those with significant farming or business assets should consider how these changes might affect succession and IHT planning.

Temporary repatriation facility (TRF)

The TRF is a time-limited transitional measure linked to the reform of the UK's tax treatment of foreign income and gains. It allows individuals who previously used the remittance basis of taxation to bring certain pre-6 April 2025 foreign income and gains into the UK at a reduced, flat rate of tax. This contrasts with the higher rates that would otherwise apply under the remittance rules.

The TRF applies for three tax years beginning 6 April 2025. Amounts designated in 2025/26 or 2026/27 are taxed at 12%, rising to 15% for 2027/28.

While not a tax-year end senstive planning opportunity this year, it's beneficial for individuals to be aware of the changes and consider using the lower rates while they are available in 2025/26 and 2026/27.

Upcoming changes from 6 April 2026

The upcoming changes scheduled for the new tax year are summarised below. These may influence decisions taken before the end of this tax year:

Business Asset Disposal Relief (BADR)

The CGT rate on qualifying business disposals is due to increase from 14% to 18%. Business owners considering a sale or exit should review whether completing all or part of a transaction before 6 April 2026 would be beneficial, taking commercial and personal factors into account.

Dividend tax rise

Dividend tax rates for basic rate and higher rate taxpayers are set to increase by 2 percentage points, to 10.75% and 35.75% respectively. For some shareholders, accelerating dividend payments into the current tax year may help reduce the overall tax cost, subject to company cash flow and longer term planning.

Agricultural and Business Property Relief (APR/BPR)

New caps will limit 100% relief to the first £2.5 million of combined qualifying agricultural and business property, with relief at 50% on amounts above this level. Those with significant farming or business assets should review their structures and succession plans to understand how these caps may affect their future inheritance tax position.

Venture Capital Trusts (VCTs)

Upfront income tax relief on new VCT investments is scheduled to fall from 30% to 20%. Investors who are comfortable with the higher risk nature of VCTs and for whom they are suitable may wish to consider whether to make new subscriptions before 6 April 2026 in order to access the higher relief rate.

Tax year end planning guide 2026

For more information on income, CGT and IHT tax allowances, reliefs and rates, download our supporting guide.