Private Client

Personal Tax Planning Year End Guide

Year to 5 April 2026

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Introduction

As we approach the tax year end on **5 April 2026**, now is an important time to consider any tax planning that you can undertake prior to the tax year end and what issues may impact you for the upcoming tax years.

Our guide shares helpful, general ideas for individuals, families, and business owners looking to plan ahead - both generally and tax-efficiently.

Important disclaimer: This is for information only and does not constitute tax, legal, or financial advice. Tax rules are complex and depend entirely on your unique circumstances. Strategies mentioned may not be suitable or available to you. Always consult a qualified tax professional before acting, as we cannot accept liability for decisions made based on this guide.

If an idea is of interest, please contact us and we will be delighted to provide tailored advice suited to your specific situation.

Income Tax

Income Tax

As it sounds, income tax is a tax on income – this could be from sources such as employment, self-employment or investment income such as rental income, savings interest or dividend income.

In the pages that follow, are simple, practical steps you can take to manage income tax efficiently.

Make the most of your ISA allowance

Each UK tax year, you can invest up to the ISA allowance and earn income and capital growth free from UK income and capital gains tax.

If you have not maximised your allowances yet, consider topping up your ISA before the year-end to shelter more of your investments from income tax and capital gains tax.

Income Tax

Help save tax by saving for your future

Contributing to a personal pension can be a very tax-efficient way to save for retirement. Basic-rate tax relief is added to your personal pension contributions, effectively increasing the amount you save.

Higher earners can benefit from higher-rate relief, depending on their marginal tax rate and personal circumstances.

Before 5 April 2026, consider:

- Making or adjusting employer pension contributions, where possible.
- Your cashflow, annual allowance limits and lifetime allowance considerations.
- If you are going to have total income between £100,000 and £125,000, then tax relief can be up to 60%!
- Pension contributions can also reduce the impact of the child benefit charge.

Pension investments are typically long-term - ensure any changes align with retirement goals and risk appetite.

Income Tax

Gift Aid: support good causes and reduce your tax bill

If you donate money to registered UK charities, Gift Aid can boost your charitable giving by allowing the charity to reclaim basic rate tax on your donation.

Higher-rate taxpayers can claim back the difference between higher and basic rate on their tax return, increasing the tax relief on their donations.

Quick tips:

- Check charity eligibility and keep records of your donations (receipts or bank statements).
- If you're close to another tax threshold, gifts via Gift Aid can help manage your marginal tax rate.
- Donations can also reduce the impact of the child benefit charge.
- Gifts of assets, directly to charity (e.g. shares) can also provide an element of income tax relief and potentially save capital gains tax.
- Make sure that you have paid enough tax, to cover the tax the charity will reclaim, otherwise you will have to pay this to HMRC!

Income Tax

Salary planning and tax-efficient benefits

If you're an employee, review any alternatives your employer offers (e.g. salary sacrifice for pensions, cycle-to-work schemes, purchase of holidays or other approved benefits). These can reduce taxable income while still providing value.

Keep an eye on changes to the personal allowance, tax bands, and eligibility for allowances that could affect your take-home pay.

Income Tax

Investment income and tax considerations

Dividend and interest income have their own tax rules and allowances.

If you hold investments outside tax-advantaged wrappers, plan to use the annual allowances efficiently before the year-end.

Consider the use of tax-advantaged wrappers, moving forward.

Personal allowances and reliefs

Ensure you are not losing any available allowances and reliefs that could reduce taxable income.

For married couples or civil partners, consider strategies to balance income and reliefs across household members where appropriate and beneficial.

Where there is one party to the marriage or civil partnership not utilising their personal allowance, there may be the option for the other party to utilise some of their unused allowances. There are various considerations to claim the marriage allowance, so advice is required.

Income Tax

Higher risk investments with tax benefits

If you are comfortable with higher-risk investments, then EIS, SEIS, and VCT schemes can offer generous income tax reliefs while supporting UK businesses.

These government-backed initiatives encourage investment in smaller, growth-focused companies. You can claim income tax relief of up to 30% (or 50% under SEIS) on EIS qualifying investments, and potential gains may also be exempt from Capital Gains Tax if held for the required period.

VCT investments provide a similar 30% income tax relief (decreasing to 20% from 2026/27) and tax-free dividends. There are limits on the amount that can be invested under EIS, SEIS, and VCT. You should ensure that you will have an income tax liability at least equivalent to the income tax savings from the investment in order to fully benefit from these investments.

Such reliefs can be valuable for investors looking to diversify their portfolio while reducing their tax bill, but as with all investments, the value can go down as well as up, so advice and careful consideration are essential before investing.

Income Tax

Post April 2026

From April 2026, dividend tax rates will rise by 2% across all but the highest band, aligning more closely with income tax rates and increasing the tax burden on investment income. This follows recent government efforts to balance the tax system.

From April 2027, similar 2% uplifts will apply to interest and property income, further reducing the relative advantage of savings and rental income.

With personal savings and dividend allowances already much reduced, these changes make tax-efficient wrappers like ISAs and pensions even more valuable - consider maximising contributions before the year-end to shelter income from the higher rates.

Non-residents receiving dividend income from their UK companies may be impacted by the withdrawal of the notional tax credit on dividends, meaning that they could pay more UK tax, especially if they have other sources of UK income such as rental income or employment income. Action could include increasing dividends pre 5 April 2026 but considerations include the company's financial position and the taxes that you may pay in your host country.

Capital Gains
Tax (CGT)

With new rules and rates on the horizon, now is a great time to review how CGT may affect you.

A little preparation before year-end can go a long way in reducing your tax bill and making the most of available reliefs.

Use your annual CGT allowance

Each individual has an annual exemption to offset against any chargeable gains made during the tax year.

If you have not used your allowance yet, consider realising gains before 5 April 2026 to take advantage of it, as the exemption can't be carried forward.

Married couples and civil partners can transfer or share assets between them on a no-gain, no-loss basis, helping maximise the benefit of both allowances.

Beware of anti-avoidance rules that stop the tax advantage of you selling shares to use allowances and then re-acquiring the same shares in a short period of time – known as bed and breakfasting. There may be opportunities to do so, between spouses/civil partners but advice is critical.

Plan ahead for Business Asset Disposal Relief (BADR)

If you qualify for BADR, remember that from the **2026/27 tax year**, the effective rate of tax on qualifying business disposals is set to increase. Those considering selling all or part of their business may wish to review timing and structure to take advantage of the current, lower rate where appropriate. Early planning can make a meaningful difference to your final tax position.

Carried interest to fall under income tax rules

The government has announced that from April 2026, carried interest - often relevant to those in private equity or fund management - will be taxed under income tax rates rather than CGT.

This change could significantly increase the headline tax rate on such gains. If you are affected, it's worth assessing current structures and potential disposals before these rules take effect.

EIS and SEIS

For investors in the higher risk arena of EIS or SEIS, consider reinvesting gains into qualifying schemes to defer or eliminate CGT liabilities while accessing generous tax reliefs.

As we advised earlier in the guide, such investments do carry significant risks, so advice is critical.

Losses and negligible value claims

If you have sold or own assets that have fallen in value, it's important to remember that capital losses can prove to be valuable when it comes to tax planning.

You can claim allowable capital losses within four years of the end of the tax year in which they arose (do not wait until you have made a gain to claim as you may be too late), so reviewing older transactions may uncover reliefs you can still use.

If you hold assets that have become worthless or nearly so, a negligible value claim can crystallise a loss without actually selling the asset, helping you offset the loss against current or future gains.

Keeping records of acquisition costs and any previous claims will support these reliefs and make the process much smoother with HMRC.

Inheritance
Tax (IHT)

IHT - before 5 April 2026

As the end of the tax year approaches, it is worth checking whether you have made full use of the annual inheritance tax (IHT) gifting allowances available.

Every individual can give away up to £3,000 each tax year free of IHT impact, and if last year's exemption has not been used, you can carry it forward one year, potentially gifting up to £6,000 in total.

In addition, small gifts of up to £250 per person can be made to any number of individuals each tax year, provided they have not also received a gift that uses part of your annual exemption.

IHT - before 5 April 2026 (cont.)

Regular gifts out of income - those that don't reduce your standard of living - may also fall outside the IHT net if properly documented. This is a very underutilised exemption. Record keeping is, however, key to securing the exemption.

Certain gifts made in honour of a wedding or civil partnership can fall outside the IHT net straightaway. Parents can each give up to £5,000 to a child, grandparents and other relatives up to £2,500, and anyone else up to £1,000 per person, provided the gift is made on or shortly before the marriage and the marriage actually takes place. These marriage-related gifts are separate from the usual £3,000 annual exemption, so they can be a very efficient way to pass on funds to the next generation at a key life event.

IHT - beyond 5 April 2026

IHT remains a key part of long-term estate planning, and several significant changes are due to take effect soon.

From April 2026, both Agricultural Relief (AR) and Business Relief (BR) will be reformed, with the qualifying thresholds and definitions tightened, and the overall relief capped at £2.5 million per estate (up from the proposed £1 million but still down from the current unlimited amount).

These updates aim to modernise the system but may reduce relief for larger or more diversified holdings, so a timely review of business and agricultural assets is advisable.

IHT - beyond 5 April 2026 (cont.)

Looking further ahead, from April 2027, pension funds will begin to fall within the scope of IHT, marking a major shift from the previous exemption. This change could affect how pension wealth is structured and passed on to beneficiaries, making regular reviews of your retirement arrangements increasingly important.

As these reforms take shape, proactive estate planning - through trusts, lifetime gifting, and updated wills - can help ensure your wealth is passed on efficiently and in line with your wishes.

IHT - beyond 5 April 2026 (cont.)

A few simple actions can make a meaningful difference to your family's long-term position and peace of mind:

- Review your will and estate plan – ensure your wishes reflect current circumstances, asset values, and the upcoming IHT rule changes.
- Review your business and agricultural assets to consider if they qualify for AR and BR so that the reliefs are maximised.
- Revisit pension nominations – with pensions soon entering the IHT net, make sure your beneficiaries are up to date and the structure still works for your goals.
- Consider lifetime gifting – making use of annual gift exemptions or larger gifts can help reduce the value of your taxable estate over time.
- Review trusts and family structures – existing trusts may need updates to remain efficient under the new limits and reliefs.
- Document everything clearly – keeping accurate paperwork for valuations, transfers, and relief claims will simplify administration for your executors later on.

By reviewing your position regularly and making adjustments well ahead of the upcoming changes, you can maintain control, reduce tax exposure, and protect more of your wealth for future generations.

Other
Considerations

Other Considerations

Trusts and family investment companies

A trust is a legal arrangement where one person (the settlor) transfers assets to trustees to hold and manage for the benefit of chosen beneficiaries, according to the terms of a trust deed.

It can help control how and when wealth is passed on, protect assets (for example from spendthrift beneficiaries or relationship breakdown), and provide potential inheritance tax planning, albeit often with its own specific tax charges and reporting requirements.

A Family Investment Company (FIC) is a private company set up to hold and manage family investments, with family members as shareholders and usually the older generation retaining control as directors. It is often used to pass future growth to the next generation via different share classes, while keeping day-to-day control and benefiting from the corporation tax regime on investment income and gains.

Other Considerations

Trusts and family investment companies (cont.)

In broad terms, trusts tend to offer greater confidentiality and can be flexible for protecting vulnerable beneficiaries but may suffer higher effective tax rates and periodic IHT charges. FICs, by contrast, can be more transparent and administratively familiar (company accounts, Companies House filings). They often provide a lower tax rate on retained profits, and can be tailored through share rights—though they bring corporate compliance obligations and do not offer quite the same ring-fenced protection and long-established trust law framework.

Both trusts and family investment companies are considerations in respect of longer-term tax planning.

Other Considerations

Making Tax Digital for Income Tax: Get ready for the digital shift

From April 2026, Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) will require many self-employed individuals and landlords to keep digital records and send quarterly updates to HMRC, replacing the annual tax return with quarterly updates and an end-of-period statement. This aims to give you a clearer, real-time view of your tax position and cut down on errors.

If your 2024-25 trading and/or property income is over £50,000, you'll join from 6 April 2026 (first quarterly update due by 7 August 2026); those with income over £30,000 in 2025-26 follow in April 2027, and income over £20,000 in 2026-27 join in April 2028.

Some exemptions exist but are only available to a small minority of taxpayers.

Making Tax Digital for Income Tax: Get ready for the digital shift (cont.)

Your pre-April 2026 action list:

- See if your trading/property income crossed the threshold for 2024/25.
- Review exemptions and apply where needed.
- Get familiar with quarterly reporting requirements.
- Test compatible software now to beat the rush.

We are here to help you.

Other Considerations

National insurance and state pension

If you are not paying National Insurance (NI) contributions but are below State Pension age, voluntary NI payments can help increase your entitlement but like any “investment” financial advice is critical.

By filling gaps in your NI record, you can increase your State Pension entitlement, typically needing 10 qualifying years for any pension and 35 for the full new State Pension amount. With big changes looming from April 2026, now's the ideal time to review your record and act.

Voluntary Class 2 and Class 3 NI let you cover past years when you weren't paying NI through work, self-employment, or caring responsibilities.

Other Considerations

National insurance and state pension (cont.)

Each extra qualifying year can add hundreds of pounds to your annual pension - money that's guaranteed for life, usually inflation-protected. It's particularly valuable if you're taking a career break, working abroad, or had low earnings earlier in life.

It is important that everyone reviews their state pension forecast well in advance of their state retirement date.

Non-residents paying class 2 national insurance will need to consider paying the higher class 3 national insurance from April 2026, due to changes in the tax rules.

Other Considerations

Leaving the UK

You may be considering leaving the UK due to tax increases, the political climate or indeed the weather!

There are a multitude of tax and financial considerations to be taken into account ahead of departing from the UK and advice is critical well in advance of any such departure.

There can be considerations including:

- Ensuring that you are regarded as non-resident under the statutory residence test.
- Income tax on UK income post departure, including consideration of reliefs and allowances.
- Capital gains tax issues, if you continue to hold UK assets whilst overseas.
- Capital gains tax issues, if you were gifted assets during your period of UK residency.
- Inheritance tax issues if you have been resident in the UK for a number of years.
- A potential return to the UK in the future, and the potential impact of UK anti avoidance provisions if you have sold UK assets whilst non-UK resident.

Advice is critical, well in advance of your departure.

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