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Year-End Tax Planning

2025/26





INTRODUCTION

The UK tax system continues to evolve following the 2025 Budget, impacting individuals, business owners and investors.

Chancellor Rachel Reeves' Budget 2025 introduced a broad package of tax changes aimed at raising revenue fairly while protecting public services. Some of the most significant changes include increases to taxes on dividend, savings and property income, continuation of frozen income tax thresholds, and reforms to the taxation of wealth and assets.

Against a backdrop of challenging economic conditions, prolonged freezes on thresholds (announced to stay in place through to 2031) mean that many taxpayers may face higher effective tax rates through fiscal drag. For both individuals and businesses, thoughtful year-end tax planning remains critical to minimise liabilities, capture reliefs, and plan for upcoming changes across the 2025/26 and 2026/27 tax years.

This guide highlights the key planning opportunities, changes coming into force, and practical strategies to consider before 6 April 2026.

This report is for general information only and is not intended to be advice to any specific person. You are recommended to seek competent professional advice before taking or refraining from taking any action on the basis of the contents of this publication. Tax rates may differ in Scotland. The report represents our understanding of law and HM Revenue & Customs practice.

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What is year-end tax planning?

Year-end tax planning is the process of reviewing and optimising financial decisions before the close of the tax year to minimise liabilities and maximise savings. For individuals, this means strategies like adjusting income timing, maximising deductions, contributing to retirement funds, making charitable donations, and managing investment gains or losses.

Businesses can benefit by tracking expenses, optimising deductions, planning asset purchases, and contributing to employee retirement plans. Effective tax planning not only reduces tax burdens but also ensures compliance with regulations, preventing costly penalties.



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YEAR-END TAX PLANNING ADVICE FOR INDIVIDUALS

Changes to the calculation of Income Tax

For 2025/26, the government is changing the way Income Tax is calculated on different types of income to ensure fairer treatment of income from property, savings, and dividends. Personal allowances and other reliefs must now be applied first against income that is not property, savings, or dividend income. Any remaining allowances are then applied to property income, savings income, and dividend income in a way that is most beneficial to the taxpayer.

This new ordering ensures that income from work or trading benefits from reliefs before income from assets is taxed, helping to narrow the gap between tax paid on employment and tax paid on investments or property.

Income Tax: Personal allowance and thresholds

For 2025/26:

- ▶ **Personal Allowance:** £12,570
- ▶ **Basic rate limit:** £37,700
- ▶ **Higher rate threshold:** £50,270

These thresholds are frozen (currently legislated through future tax years), meaning taxpayers may be pulled into higher tax bands due to inflation-linked income increases.

Income Tax rates on non-savings and non-dividend income remain unchanged:

- ▶ **Basic rate:** 20%
- ▶ **Higher rate:** 40%
- ▶ **Additional rate:** 45%

Property income

Looking ahead, new rules for property income will introduce separate tax rates to ensure income from property is treated fairly.

From 2027 to 2028, the rates will be 22% for the property basic rate, 42% for the property higher rate, and 47% for the property additional rate. While the property allowance and the Rent a Room Scheme remain unchanged, carried-forward property losses must still be offset against property income.

Residential finance costs will continue to receive tax relief, calculated at the property basic rate. Non-resident landlords will continue to be subject to the Non-Resident Landlords Scheme (NRLS), with withholding tax applied at the property basic rate and credit for tax withheld available through UK tax returns.



Savings income and individual savings accounts

Savings income

Savings income will continue to benefit from the starting rate for savings and the personal savings allowance. From 6 April 2027, the annual cash ISA limit will be set at £12,000 within the overall £20,000 ISA limit, while savers aged 65 and above will retain the ability to save up to £20,000 in a cash ISA each year. The new savings Income Tax rates will be 22% at the basic rate, 42% at the higher rate, and 47% at the additional rate, effective from 2027 to 2028.

Individual Savings Accounts (ISAs)

ISAs remain one of the most tax-efficient ways to save and invest in the UK, offering both Income Tax and Capital Gains Tax advantages.

From 6 April 2025, the rules allow greater flexibility for investors. Individuals can now make multiple subscriptions of the same ISA type within the overall annual allowance, rather than being limited to one cash ISA, one stocks and shares ISA, and one innovative finance ISA per year. The total ISA allowance remains at £20,000, giving savers more freedom to manage multiple accounts while preserving full tax advantages.

Looking ahead to 6 April 2027, the annual cash ISA limit will be set at £12,000 within the overall £20,000 ISA allowance. Savers aged 65 and above will continue to be able to contribute up to £20,000 in a cash ISA each year, allowing flexibility for retirement planning while maintaining tax-free growth.



Useful link: Financial and market analysis

Lifetime ISAs

Lifetime ISAs (LISAs) continue to provide a 25% government bonus on contributions of up to £4,000 per year. These funds can be used to purchase a first home (subject to the £450,000 property price cap) or retained for retirement. For some individuals, a Lifetime ISA may be a more attractive retirement-saving option than a traditional pension, though both approaches can be used together.

It is important to note that withdrawing funds before age 60 or transferring them to a different type of ISA will incur a 25% government withdrawal charge, which may result in receiving less than the amount contributed. Professional advice is recommended to navigate these rules effectively.

Junior ISAs

Parents, guardians, and others can contribute to Junior ISAs for children under 18 who do not have a Child Trust Fund. The contribution limit for the 2025/26 tax year is £9,000, and the funds benefit from the same tax-free growth and income advantages as adult ISAs. Junior ISAs are a valuable tool for long-term savings and investment for children.

Planning point

Information about ISAs does not have to be reported on an individual's tax return and ISAs are effectively inheritable by a surviving husband/wife or civil partner.

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Dividend income

Dividend income will see rate changes from 6 April 2026. The ordinary rate will be 10.75%, and the upper rate will increase to 35.75%, while the additional rate and the dividend trust rate remain unchanged at 39.35%. The dividend tax-free allowance remains at £500 for 2025/26, meaning the first £500 of dividend income is tax-free regardless of an individual's tax band. Company owners should ensure that this allowance is fully utilised before 5 April 2026, as it cannot be carried forward.

Companies operating under the loans to participators regime will have their rates automatically tied to the dividend upper rate, meaning these will also increase to 35.75%.



The dividend tax-free allowance remains at £500 for 2025/26, meaning the first £500 of dividend income is tax-free regardless of an individual's tax band.

It is important to note that from 6 April 2026, the dividend ordinary rate will increase by 2 percentage points to 10.75%, and the higher dividend rate will increase to 35.75%, while the additional rate will remain at 39.35%. As a result, individuals may wish to consider bringing forward dividend payments into 2025/26 where appropriate, particularly if they expect to remain within the same tax band but face higher dividend rates next year.

If an individual is currently a higher rate taxpayer and expects to become an additional rate taxpayer in 2026/27, accelerating dividends into 2025/26 may help avoid the higher additional rate next year. Similarly, where income falls within the basic rate band in the current year (or within the Scottish starter, basic or intermediate bands), but would fall into a higher band in 2026/27, bringing forward dividends could produce a tax saving. However, care should be taken not to accelerate dividends if doing so would push income into a higher band in 2025/26 than would otherwise apply in the following year.

Company directors can control the timing and amount of dividend declarations, allowing them to manage taxable income strategically. For example, keeping total income below £100,000 to avoid the tapering of the Personal Allowance.

Pension contributions can also be used to reduce adjusted net income and mitigate exposure to higher or additional rates.

In some cases, shares may be transferred to a spouse or civil partner prior to declaring a dividend, where that individual pays tax at a lower rate. Provided the transfer represents a genuine gift of ownership and is properly documented, this can improve overall household tax efficiency. It is generally advisable to leave sufficient time between the transfer of shares and the declaration of dividends to demonstrate that the arrangement is commercially effective.

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Income tax saving opportunities

Switching income from one spouse or partner to the other can help save tax.

Everyone should make sure they use their Personal Allowance (a maximum of £12,570 in 2025/26, and frozen at this level until 2027/28).

For couples, if either spouse or a civil partner will not be able to use their personal allowance for 2025/26, then claiming the marriage allowance will save the other spouse or civil partner up to £252 in tax. However, a claim can only be made if the recipient does not pay tax above the basic rate. Claims can be backdated for four tax years, so the advantage of making a claim by 5 April 2026 is the inclusion of 2021/22. Also, try to minimise any higher and additional (top) rate tax.

- ▶ Income over £125,140 is currently taxed at 45%, or 48% for non-savings, non-dividend income in Scotland.
- ▶ The personal allowance is withdrawn where income (less certain deductions) is more than £100,000.

- ▶ An individual may be able to reorganise both their financial affairs to avoid exceeding one of these limits. However, Capital Gains Tax (CGT) may be payable on switching ownership of an investment if they are not married or in a civil partnership.

Each individual may receive £500 of dividends tax-free in 2025/26 regardless of their tax status. Reorganising their shareholdings between them may make better use of this limit. One can also receive £1,000 of savings Income Tax-free if they are a basic rate taxpayer, and £500 if paying tax at the higher rate.

If the individual or their partner have little or no earnings or pension income, they might also benefit from a 0% tax rate on up to a further £5,000 of savings income. Again, shifting assets between them can help minimise tax on their savings income. A £1,000 tax-free allowance is available for income from property, such as where a parking space is let out, so joint ownership could result in a modest tax saving.

Tax-saving strategies for spouses

By shifting income between spouses or partners, an individual can reduce their income tax liability through several effective strategies:

- ▶ **Transferring shares or property:** If one partner is in a lower tax bracket, transferring income-generating assets like shares, rental properties, or investment portfolios to them can reduce the overall tax burden. When transferring assets between spouses or civil partners, no Capital Gains Tax (CGT) is triggered, making this an efficient strategy.
- ▶ **Adding a spouse to the payroll:** If an individual runs a business, employing their spouse or civil partner can be an effective method to distribute income. The salary must reflect the actual work performed to meet HMRC's 'wholly and exclusively' rules for business expenses. By paying one's spouse a reasonable wage, they reduce their taxable profit while shifting income to someone potentially in a lower tax bracket.
- ▶ **Dividends from a Family Business:** In a family-run limited company, allocating shares to a spouse allows dividend payments to be distributed between both individuals. This can effectively use both individuals' tax-free dividend allowances and lower tax bands.

- ▶ **Shifting Savings Interest:** Moving savings accounts or bonds that generate interest to a lower-earning spouse can also minimise tax liability. Since savings interest may fall under the Personal Savings Allowance (with basic rate taxpayers getting a £1,000 allowance vs. £500 for higher-rate taxpayers), this switch can improve tax efficiency.



If the individual or their partner have little or no earnings or pension income, they might also benefit from a 0% tax rate on up to a further £5,000 of savings income.

Child benefit

Where either partner has income of £60,000 or more then child benefit is in effect withdrawn. The withdrawal is total if income is over £80,000, and partial for income between £60,000 and £80,000. An individual may be able to keep some or all of their child benefit by switching income between themselves and their partner, or by taking other steps to bring their income below one of these limits.

Planning point

One may be able to reorganise their finances now to make use of some of these opportunities for 2025/26, but they should plan ahead for 2026/27 to gain the maximum Income Tax saving.

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Planning for directors, employees, and the self-employed

Bringing forward or delaying income can still be an effective strategy where an individual expects their tax position to change between 2025/26 and 2026/27.

- ▶ If an individual's income is below £125,140 in 2025/26 but is expected to exceed that level next year, it may be beneficial to bring forward income (such as a bonus or dividend) into 2025/26 to avoid paying the additional rate of 45% in 2026/27.
- ▶ Conversely, if income is expected to fall below £125,140 next year, delaying a bonus or other taxable income until after 6 April 2026 could help avoid additional rate tax in the current year.

A similar approach may help preserve the Personal Allowance, which is withdrawn once adjusted net income exceeds £100,000, creating an effective 60% marginal rate on income between £100,000 and £125,140. Careful timing of income, pension contributions or Gift Aid payments can reduce adjusted net income and mitigate this impact.

Salary sacrifice arrangements remain an efficient planning tool. Exchanging salary for employer pension contributions can reduce Income Tax and National Insurance liabilities while increasing retirement savings. Alternatively, opting for a low-emission or fully electric company car continues to provide significant tax advantages compared to petrol or diesel alternatives.

If an individual has had to work from home this year, they can claim a tax-free amount of £312 for 2025/26 to cover the additional costs involved (provided their employer does not reimburse them). They can use HMRC's online portal before 6 April 2026 so that they receive the benefit via their PAYE code for 2025/26. However, this relief is only available if the individual has to work from home, not if they merely choose to do so.

Other considerations

This is also a good time to review an individual's company car situation, especially if they have been working from home and expect this to continue long term. If an individual is hardly using their company car, they can return it to their employer to remove the tax charge. Alternatively, switching to a fully electric car or an ultra-low emission hybrid with a high electric motoring range will drastically lower your tax cost. Such a switch will also save tax and NICs for your company.

If an individual is going to work abroad for more than a year, it may help to leave the UK before 6 April 2025. There are complex rules around residency, so they should seek specific advice.

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Self-employment

The same income planning principles that apply to directors and employees are equally relevant to those who are self-employed. Careful management of profit levels can help minimise exposure to higher and additional rate tax.

If an individual is self-employed, they may be able to influence the timing of taxable profits, for example, by accelerating or deferring income or expenditure, to avoid paying tax at 45% (or 48% in Scotland on non-savings, non-dividend income). The effectiveness of this strategy will depend on their accounting date and commercial considerations.

Following the basis period reform, the transitional rules that applied in 2023/24 and 2024/25 are now largely complete. From 2024/25 onwards, all sole traders and partnerships are taxed on profits arising in the tax year itself (6 April to 5 April), regardless of their accounting date. Businesses that had a non-5 April (or 31 March) year-end will now need to apportion profits to align with the tax year, which may create additional administrative complexity.

Where transitional profits arose in 2023/24 as part of the move to the new tax year basis, these are generally being spread over five tax years (2023/24 to 2027/28), unless the taxpayer elected to accelerate the charge. Those continuing to spread transitional profits should factor the additional taxable income into their 2025/26 planning, particularly given that the Personal Allowance (£12,570) and higher rate thresholds remain frozen.

Self-employed individuals should also continue to consider the interaction with National Insurance contributions. Class 4 NIC remains payable on profits above the lower profits limit, and managing profit levels can help mitigate combined Income Tax and NIC exposure where income is close to key thresholds.

Partner's salary

An individual operating a business may consider paying a salary to an otherwise non-earning spouse or civil partner for genuine work performed. The salary is generally deductible for tax purposes, provided it is wholly and exclusively for the purposes of the business and is commercially justifiable.

For 2025/26, PAYE records must normally be maintained even if the salary is below the National Insurance thresholds. The Lower Earnings Limit is £533 per month (£6,396 per year).

If a salary is paid at or above this level, the spouse or civil partner will receive credit towards state benefits without paying employee National Insurance contributions, provided earnings do not exceed the Primary Threshold. Employee NICs become payable once earnings exceed the Primary Threshold (currently £1,048 per month / £12,570 per year).



For 2025/26, PAYE records must normally be maintained even if the salary is below the National Insurance thresholds. The Lower Earnings Limit is £533 per month (£6,396 per year).





Employer NICs are generally payable where earnings exceed the Secondary Threshold (currently £758 per month / £9,100 per year), although the Employment Allowance may reduce or eliminate the employer's liability where available.

An employer pension contribution can also be made to a spouse's or civil partner's personal pension scheme. Such contributions are not subject to income tax or National Insurance at the time of payment and are normally an allowable business expense, provided the overall remuneration package is reasonable in relation to the duties performed.

Alternatively, individuals may consider operating their business as a partnership, thereby sharing profits directly. Both parties must be genuinely involved in the business, although profit shares do not have to be equal. Proper structuring and documentation are essential to ensure that arrangements are commercially robust and compliant with HMRC requirements.



Useful link: Helpful advice for businesses.

Planning point

Corporation Tax is now charged at 25% for profits above £50,000, with marginal relief applying to profits between £50,001 and £250,000. The small profits rate remains at 19% for profits up to £50,000.

This means that, while incorporation can still offer benefits such as limited liability and flexible profit extraction, the tax advantages of running a business as a limited company have narrowed compared with previous years.

Individuals considering incorporation should carefully weigh the potential tax savings, administrative obligations, and other commercial factors, including the impact of National Insurance contributions, dividend tax, and future profit expectations, before making a decision.

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Capital Gains Tax (CGT) planning

Some careful forethought can help minimise an individual's capital gains tax (CGT) bill.

Everyone has an annual CGT exempt amount, which in 2025/26 makes the first £3,000 (£1,500 for trusts) of gains free of tax. Gains above this allowance are subject to CGT at rates that depend on the taxpayer's income and the type of asset.

- ▶ For gains that fall within the basic rate Income Tax band, the CGT rate is 18% (or 28% for residential property and carried interest).
- ▶ For gains exceeding the basic rate band, the CGT rate is 24% (or 28% for residential property and carried interest).

An individual should generally aim to use their annual exempt amount by making disposals before 6 April 2026. If an individual has already made gains of more than £3,000 in this tax year, they might be able to dispose of loss-making investments to create a tax loss. This could reduce the net gains to the exempt amount.

Timing Disposals

If an individual has incurred a net loss from disposals during the current tax year, their decision to realise gains by disposing of investments before 6 April 2026 becomes particularly relevant for capital gains tax (CGT) planning. Timing the disposals effectively can help offset losses against gains, potentially reducing their overall CGT liability, depending on the amounts involved and the broader tax implications.

Transferring assets between married couples or civil partners before disposal might save CGT, particularly where one partner has an unused exempt amount, has not fully used their basic rate tax band or has capital losses available. One should generally leave as much time as possible between the transfer and the disposal.

CGT is normally payable on 31 January after the end of the tax year in which an individual makes the disposal. An individual could therefore delay a major sale until after 5 April 2026 to give themselves an extra 12 months before they have to pay the tax (but be careful of the impact of the reduction in the exempt amount). However, a payment on account of CGT must be made within 60 days of a residential property disposal (other than of an exempt principal private residence). There is therefore no timing



advantage to delaying such a disposal. Additionally, individuals are required to report disposals and pay CGT through their Self-Assessment tax return. If the gains exceed the annual exempt amount, the individual must include the disposal details in their return. If the individual is not required to complete a Self-Assessment tax return, they must report their CGT via HMRC's online service, which allows for direct reporting and payment within 30 days of the disposal. Failing to report or pay on time could result in penalties, making it crucial to time disposals effectively and report them accurately.

Business Asset Disposal Relief

Business Asset Disposal Relief (BADR), formerly known as Entrepreneurs' Relief, continues to provide qualifying individuals with a reduced Capital Gains Tax (CGT) rate on the sale of business assets, such as shares in a trading company or interests in trading partnerships. However, the tax advantages associated with BADR have been significantly reduced following recent government reforms. Under current legislation, the lifetime limit of gains that can qualify for the relief remains at £1 million, but the CGT rate applied to qualifying gains has changed for disposals in recent tax years.

For disposals made on or after 6 April 2025, qualifying BADR gains are taxed at 14%, up from the longstanding 10% rate that applied in earlier years. This higher rate reflects the government's objective to broaden the tax base and raise additional revenue from asset disposals.

The relief will become even less generous from 6 April 2026, when the BADR rate will increase further to 18% for qualifying gains, bringing it closer to the standard CGT rates that apply to most other capital disposals. These changes mean that business owners planning to sell their company or business interests should review their timing and exit strategy carefully, as the window to benefit from lower BADR rates is narrowing. Whether considering retirement, succession planning, or a business sale, early engagement with a tax adviser is advisable to assess eligibility and optimise the tax position when claiming BADR under the current rules.

Planning point

The timing of disposals is particularly important if the individual has already realised losses in the year. A further disposal either side of the tax year end could increase or reduce the overall tax liability, depending on income levels and CGT rates.

For assets that have lost virtually all value, a negligible value claim can be made to offset gains without disposal. Loss relief can be backdated to either of the two tax years preceding the current one, provided the asset was owned and already of negligible value. The deadline for backdating a claim to 2023/24 is 5 April 2026.

For further information, contact Eleanor White at ewhite@geraldedelman.com.



Pension tax planning

The tax privileges of investing in pension plans generally make them a key focus in tax planning. Pension funds are broadly free of UK tax on their capital gains and investment income. When an individual takes the benefits, up to a quarter of the fund is normally tax free, but the pension income will be taxable.

Most people aged 55 (rising to 57 in 2028) and over can draw their pension savings flexibly. Withdrawals above the tax-free amount are liable to Income Tax at the marginal rate. An individual should take advice before accessing pension savings as there are several options and they will generally have a long-term effect on your financial position.

The annual allowance was left untouched in the Autumn Statement of 30 October 2024, but a future reduction in tax relief for pension contributions remains a possibility. An individual might want to maximise their pension contributions for 2025/26 by making further contributions before 5 April 2026.

Contributions

There is an annual allowance of £60,000 on pension contributions that qualify for tax relief, although this allowance is tapered down to a minimum of £10,000 if one's income exceeds £260,000. An individual can, however, carry forward unused annual allowances for up to three years to offset against a contribution of more than the annual allowance. For people already drawing a flexible income from a pension, the annual allowance is also £10,000.

- ▶ An individual can pay up to the whole of their earnings into a pension scheme, but the tax relief is capped by the annual allowance plus any unused allowances brought forward.
- ▶ Tax relief on pension contributions is normally at least 20%, and higher or additional rate taxpayers receive relief at 40% or 45%. In Scotland, intermediate, higher and top rate taxpayers receive relief at 21%, 42% or 48% respectively. Limiting the individual's contributions to amounts that qualify for at least 40% tax relief will give them the most benefit.
- ▶ Effective relief can be as high as 60%, or 63% in Scotland, where the Personal Allowance is being withdrawn, and can be even higher if universal credit payments or tax credits are being withdrawn.

- ▶ An individual could set up a pension for their partner or children since they don't need earnings to build up to £3,600 in a personal pension. Even if they do not pay any tax, they can still benefit from 20% tax relief.

Lifetime allowance

From the 2024/25 tax year, the UK pension system removed the Lifetime Allowance (LTA), which previously capped the total pension savings eligible for tax relief at £1,073,100. This abolition means individuals can now grow their pension savings without being restricted by a lifetime limit, and the LTA charge no longer applies.

However, limits remain on tax-free withdrawals: the maximum tax-free lump sum an individual can take is £268,275, and lump sum death benefits are still assessed against the applicable allowances. While pension income or growth is no longer tested against a lifetime limit, these remaining caps on tax-free payments mean careful planning is still necessary to avoid unexpected Income Tax on lump sums.

The removal of the LTA provides greater flexibility for retirement planning and allows pensions to grow more freely, but individuals should remain aware of the limits on tax-free withdrawals to manage potential tax liabilities.



Useful link: [Information about pensions and pensioner benefits.](#)

Planning point

The combination of tax relief on contributions, tax-free growth within the fund and the ability to take a tax-free lump sum on retirement makes a pension plan an attractive savings vehicle, the more so since the abolition of the lifetime allowance.

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Use your Inheritance Tax exemptions

Inheritance Tax (IHT) planning is generally not related to the tax year end, although this is as good a time as any to review one's will and ensure their stated wishes are up to date.

There are, however, certain IHT exemptions that are related to the tax year.

- ▶ For the 2025/26 tax year, the rules on IHT exemptions for gifts remain unchanged, but careful timing can maximise tax-free giving. Individuals can gift up to £3,000 each tax year without it being subject to IHT. If the exemption was not used in 2024/25, it can be carried forward, allowing up to £6,000 in IHT-free gifts before 6 April 2026. Those who have already used their 2025/26 exemption may benefit from delaying their next gift until after 5 April 2026 to take advantage of the 2026/27 exemption.
- ▶ Gifts of up to £250 to any person in any one tax year are exempt. One can use this exemption for any number of different recipients.
- ▶ Regular gifts out of excess income can also be exempt, provided certain conditions are met. The amount of excess income determined each tax year, and the gifts must be made from income rather than capital. To qualify for this exemption, the individual must ensure proper documentation to prove that the gifts are indeed made from income and not from their capital. These gifts must be part of the individual's regular pattern of giving and should not reduce their standard of living. Proper record-keeping is essential to demonstrate that the gifts comply with the IHT exemption criteria.

Charitable giving

Charities make a difference to millions of lives in the UK and around the world. Whatever cause one cares about there will be a charity working on it. Remember an individual can get tax relief for any charitable gifts if they make a gift aid declaration.

An individual can make the gift out of their taxed income and the charity can claim back basic rate tax on the value of the gift. Higher and additional rate taxpayers can claim an extra 20% or 25% in relief. Intermediate, higher and top rate taxpayers in Scotland can claim an extra 1%, 22% or 48% in relief. An individual can obtain both Income Tax and CGT relief on gifts to charities of shares listed on the stock market and certain other investments.

Gifts to charity are free of IHT, so an individual remembering a charity in their will can reduce the total amount of IHT that will be paid on their estate. If at least 10% of an individual's net estate is left to charity, then the rate of IHT payable on the remainder of their estate will be reduced from 40% to 36%.



Useful link: HMRC guide to IHT.

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Non-domiciled tax

The UK government has fundamentally reformed the taxation of non-UK domiciled individuals, with the old remittance basis abolished from 6 April 2025. Under the previous remittance basis, individuals resident in the UK but domiciled overseas could choose to be taxed on their UK income and gains in the usual way while only paying UK tax on foreign income and gains if and when those amounts were brought into the UK.

From April 2025, this preferential system has been replaced by a residence-based regime under which UK tax residents are generally taxed on their worldwide income and gains as they arise, irrespective of domicile status.

Under the new rules, a four-year Foreign Income and Gains (FIG) regime has been introduced for individuals who become UK tax resident after a period of at least 10 years of non-UK residence.

Eligible individuals can claim relief so that their foreign income and gains arising during their first four years of UK tax residence are exempt from UK tax, and these amounts can be remitted to the UK without additional tax charges. This change simplifies reporting and removes the need to track foreign income and gains in the detailed way required under the old remittance basis.

For individuals who are not eligible for the FIG regime, the remittance basis relief has ended and they will be taxed on all foreign income and gains in the year they arise, in the same manner as UK domiciled residents. Transitional arrangements are in place for current or past remittance basis users, including the ability to rebase certain foreign assets to their value at 5 April 2019 for Capital Gains Tax purposes, and a Temporary Repatriation Facility designed to allow remittances of pre-April 2025 foreign income and gains at a reduced rate of tax for a limited period.

The government also intends to transition Inheritance Tax (IHT) from a domicile-based system to a residence-based system, although the detailed implementation remains subject to further consultation. Under the new approach, individuals who have been UK residents for a sufficient period will face IHT on their worldwide assets, narrowing the historic carve-outs that applied under domicile-based rules.

These reforms represent a significant shift in UK tax policy, with wide-ranging implications for international taxpayers with foreign income, assets, or trust interests.

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Property Taxes

Property taxation in the UK has undergone significant changes that are now affecting homebuyers and investors.

From 1 April 2025, Stamp Duty Land Tax (SDLT) thresholds reverted to their pre-pandemic levels, meaning the nil-rate band for standard residential purchases returned to £125,000 and the first tier of tax begins above this amount. This reversal increases SDLT liabilities for most buyers compared with the temporary relief that applied up to 31 March 2025.

For example, SDLT is charged at 2% on the portion between £125,001 and £250,000, 5% on the portion between £250,001 and £925,000, 10% between £925,001 and £1.5 million, and 12% on amounts above £1.5 million for standard residential purchases.

For additional properties such as second homes or buy-to-let investments, the higher rates continue to apply, with an extra 5% surcharge on top of the standard SDLT bands for individuals who already own a residential property.

First time buyers' relief was also scaled back from April 2025. The tax free threshold for eligible first time buyers now applies to the first £300,000 of property value, with a 5% rate on the portion from £300,001 to £500,000. Properties worth more than £500,000 no longer qualify for first time buyer SDLT relief and are taxed under the standard bands.

These reforms markedly increase upfront tax costs for many purchasers. Buyers completing transactions after March 2025, including first time buyers and those purchasing additional properties, now face higher SDLT bills than under the temporary thresholds that applied in prior years.

For further information, contact Amal Shah.



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CHECKLIST

Could an individual transfer income to their partner to minimise higher and top rate taxation next year, to maximise the tax-free savings and dividend income limits, or to avoid losing child benefit?

Has the individual considered the timing of dividends and bonuses to minimise tax rates?

Has the individual used their annual CGT exempt amount by making any available disposals before 6 April 2026?

Has the individual used this year's ISA allowance before 6 April 2025?

Is the individual investing enough in their pension (or possibly a lifetime ISA) if they wish to, or have to, retire earlier than state pension age, which is likely to keep going up?

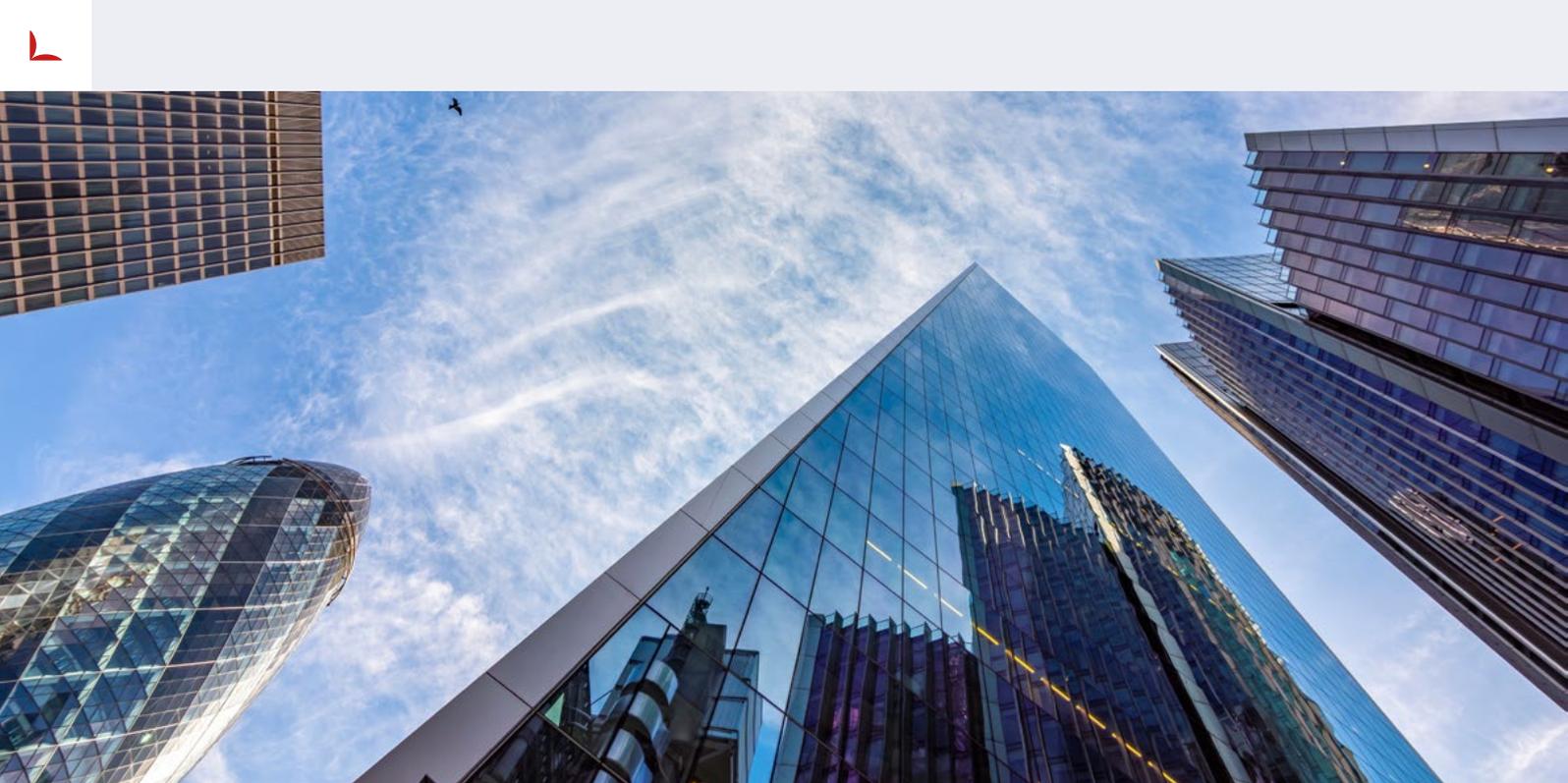
If the individual is aged over 55, have they taken advice about the options for drawing their pension savings?

Has the individual made gifts to use their annual IHT allowances?

Is the individual considering any charitable gifts now or in their will?

Has the individual reviewed property income planning, including the new property income tax rates effective 2027/28 and use of property allowances or carried-forward losses?

Has the individual reviewed non-domiciled tax position if they have foreign income or assets, particularly in light of the abolition of the remittance basis from 6 April 2025?



YEAR-END TAX PLANNING ADVICE FOR BUSINESSES

Corporate Tax

Businesses operating in the UK need to stay informed about Corporation Tax rates and planning strategies to manage their tax liabilities efficiently. With the 2026/27 financial year approaching, understanding the applicable rates, available reliefs, and key deadlines is crucial for effective financial planning.

Corporate Tax rates

- ▶ **Main Corporation Tax rate (25%):** Applies to companies with profits exceeding £250,000.
- ▶ **Small profits rate (19%):** Available for businesses earning £50,000 or less.
- ▶ **Marginal relief:** Applies to companies with profits between £50,001 and £250,000. Gradually reduces the effective tax rate below 25% as profits increase.

The relief gradually decreases as profits approach the £250,000 threshold. Additionally, if a company has associated businesses or operates with a shorter accounting period, the profit thresholds are proportionately reduced.

Additional considerations for year end planning

Businesses should be mindful that penalties for late Corporation Tax returns are set to double for accounting periods with filing dates on or after

1 April 2026, making timely submission more important than ever. Ensuring that all computations are accurate and complete is essential to avoid these increased penalties, particularly as the government moves toward a new regime of standardised Corporation Tax submission content.

Careful preparation now can help businesses stay ahead of potential compliance risks and avoid costly errors when the updated reporting requirements are introduced.

Payment deadlines

- ▶ **Small companies:** Corporation Tax is due nine months and one day after the end of the accounting period.
- ▶ **Large companies:** Businesses with annual profits exceeding £1.5 million must pay Corporation Tax in quarterly instalments, starting six months and 13 days after the beginning of the accounting period.
- ▶ **Very large companies:** Companies with annual profits over £20 million have even earlier instalment deadlines.



Capital allowances

Capital allowances remain a key planning tool for businesses looking to reduce taxable profits for 2025/26 and beyond:

Enhanced capital allowances in freeports

Businesses operating within designated Freeports can now claim 100% first-year allowances on qualifying plant and machinery. This initiative aims to stimulate investment and economic activity in these areas.

Annual Investment Allowance (AIA)

The AIA limit remains at £1 million, allowing businesses to deduct the full cost of qualifying plant and machinery from their taxable profits in the year of purchase. This measure continues to support businesses in managing their cash flow and investment decisions.

First-Year Allowances (FYA)

From 6 April 2025, the government has introduced a 100% FYA on certain new, unused plant and machinery, including long-life assets and integral features of buildings. This change is designed to encourage businesses to invest in modern and efficient equipment and take full advantage of available tax reliefs.

New 40% First-Year Allowance for main-rate expenditure

From 1 January 2026, businesses will be able to claim a 40% first-year allowance (FYA) on main-rate expenditure, allowing them to deduct 40% of qualifying costs in the year of acquisition. This measure is designed to encourage investment in plant and machinery that does not qualify for full 100% first-year expensing, providing a meaningful upfront tax relief and supporting cash flow for businesses making significant capital investments.

Reduction in main-rate Writing-Down Allowance

From 1 April 2026 for Corporation Tax and 6 April 2026 for income tax, the main-rate writing-down allowance (WDA) will be reduced from 18% to 14%. This change affects the tax relief available for assets that do not qualify for full expensing or the new 40% FYA, meaning the annual deduction for these assets will be lower. Businesses will need to consider the timing of acquisitions carefully to maximise tax efficiency under the revised WDA rates.

These adjustments reflect the government's commitment to fostering a competitive business environment and encouraging investment in sustainable and efficient technologies.



Employer National Insurance Contributions (NICs)

From 6 April 2025, employers will face significant changes to National Insurance contributions (NICs). The employer NIC rate increases from 13.8% to 15% on earnings above the threshold, while the secondary threshold, the point at which employers start paying NICs on employee earnings, is reduced from £9,100 to £5,000. To help smaller employers manage this increased cost, the Employment Allowance rises from £5,000 to £10,500, and the previous £100,000 NIC liability cap on eligibility is removed, allowing more businesses to benefit.

Businesses should review payroll projections, particularly where there are low-paid staff, and ensure the Employment Allowance is fully claimed where eligible to mitigate additional NIC costs.



From 6 April 2025, the employer NIC rate increases from 13.8% to 15%.

Business rates

The government has announced measures to reduce the burden of business rates, particularly for the retail, hospitality, and leisure (RHL) sectors. From April 2026, permanently lower business rates multipliers will be implemented, benefiting over 750,000 RHL properties and reducing tax bills compared with current levels. Transitional relief caps will continue to help prevent sudden spikes in rates liabilities following revaluations in future years.

Businesses in the affected sectors should review their rateable values and relief eligibility to prepare for the new multipliers, ensuring they are ready to take full advantage of any reductions in business rates. Compliance and anti avoidance measures Budget 2025 includes several measures aimed at strengthening compliance and modernising reporting.

Image rights payments will be clarified from 6 April 2027 to ensure that amounts paid in connection with employment are treated as employment income for tax and NIC purposes.

In addition, HMRC plans to modernise and standardise Corporation Tax submissions, which may require adjustments to internal reporting processes. Anti-avoidance updates are also planned, including enhanced HMRC powers in the Construction Industry Scheme and modernised share exchange CGT rules.

Businesses should review and update their systems, reporting processes, and record-keeping practices to prepare for these changes and avoid potential penalties, ensuring compliance with the evolving rules.

For further information, contact Andrew Smith.



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Research and development

For the 2025/26 tax year, the UK R&D tax relief regime continues to be significantly reformed following the changes introduced from 1 April 2024. The previous SME and RDEC schemes have been replaced by a single Merged R&D Expenditure Credit (RDEC) scheme, which simplifies the system and makes the relief more consistent for businesses of all sizes. Under the merged regime, qualifying companies receive an above-the-line R&D credit at a rate of 20% of eligible expenditure.

In addition, loss-making, R&D-intensive small and medium-sized enterprises (SMEs) can claim Enhanced R&D Intensive Support (ERIS) where R&D expenditure represents at least 30% of total expenditure, receiving a more generous deduction and a repayable credit where relevant. These reforms aim to streamline claims, encourage innovation and investment in research, and support businesses with substantial R&D activity across a broader range of sectors.

For further information, contact Leo French.

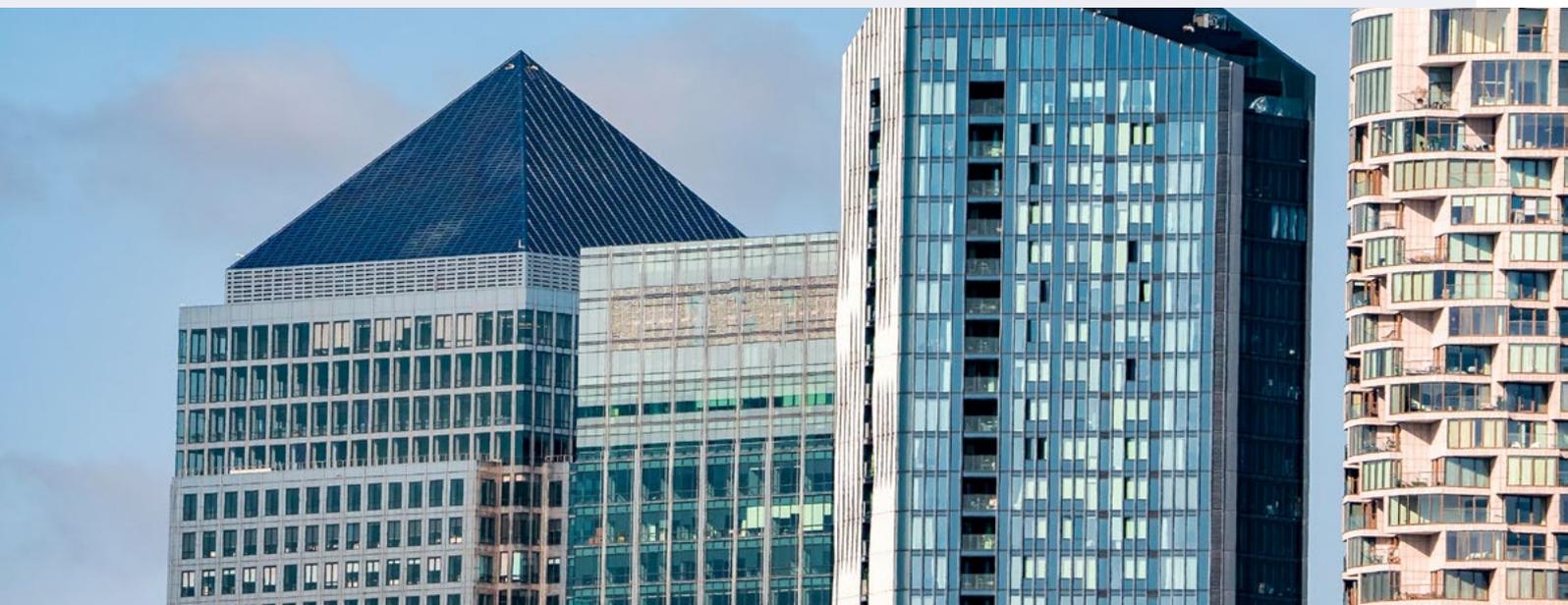


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CHECKLIST

Has the entity reviewed their Corporation Tax position to ensure they are taking advantage of available allowances, reliefs, and exemptions for the 2025/26 tax year?

Has the entity considered the timing of capital investments and whether to accelerate any purchases before 6 April 2026 to maximise capital allowances or the Annual Investment Allowance (AIA)?

Is the entity making the most of R&D tax reliefs by ensuring that their R&D activities are well-documented and meet the necessary criteria for claiming tax credits?

Has the entity reviewed their employee remuneration structure, including salaries, dividends, and bonuses, to optimise tax efficiency and take advantage of lower rates for dividends or allowable bonus payments?

Has the entity made provisions for upcoming compliance and anti-avoidance changes, including modernised Corporation Tax submission requirements, Construction Industry Scheme updates, and image rights rules effective from 2026/27?

Has the entity considered transferring ownership of assets or shares to reduce potential future tax liabilities, such as through gifting or setting up a family trust?

Is the entity ensuring their business is compliant with the new rules on environmental investments, especially if they plan to invest in green technologies or sustainable practices that may qualify for enhanced capital allowances?

Has the entity utilised any available tax reliefs for investments in Freeports or specific regions to take advantage of reduced tax rates and other incentives?

Has the entity planned their business's cash flow carefully to ensure timely Corporation Tax payments and avoid interest or penalties from HMRC?

Is the entity considering making charitable donations through their business, taking advantage of charitable tax reliefs either now or through their will to reduce their IHT exposure?



SUMMARY

The UK tax landscape for the 2025/26 tax year introduces several important changes affecting both individuals and businesses.

For individuals

For individuals, the Personal Allowance remains at £12,570, and the basic, higher, and additional rate thresholds remain frozen, with these bands legislated to continue until 2028. Income Tax on non-savings and non-dividend income remains at 20%, 40%, and 45% for the basic, higher, and additional rates respectively, while dividend income above the £500 annual allowance is taxed at 8.75% for basic rate taxpayers, with higher rates applying to upper bands. Savings income continues to benefit from the 0% starting rate for low non-savings income and the Personal Savings Allowance (£1,000 for basic rate, £500 for higher rate taxpayers).

Capital Gains Tax (CGT) rates remain at 18% for gains within the basic rate band and 28% for gains above it on residential property and carried interest. Business Asset Disposal Relief (BADR) rates are now 14% for disposals up to 6 April 2025 and will rise to 18% from 6 April 2026, narrowing the tax advantage of disposals of qualifying business assets. ISA rules have been updated to allow multiple subscriptions of the same ISA type within the £20,000 annual limit, with cash ISA limits set to £12,000 from 6 April 2027 (and £20,000 for savers aged 65 and over). Lifetime ISAs continue to provide a 25% government bonus on

contributions of up to £4,000, subject to withdrawal conditions, and Junior ISAs remain capped at £9,000 for the year.

The government has introduced a new ordering of Income Tax reliefs, ensuring Personal Allowances and other reliefs are applied first to non-property, non-savings, and non-dividend income, with any remaining allowances applied to property, savings, and dividend income in the most beneficial order for taxpayers. Property income rates are being aligned with the new savings and dividend rates from 2027 to 2028, with 22%, 42%, and 47% for the basic, higher, and additional rates respectively.



The UK tax landscape for the 2025/26 tax year introduces several important changes affecting both individuals and businesses.



For businesses

For businesses, the main rate of Corporation Tax remains at 25% for profits above £250,000, with marginal relief applying to profits between £50,001–£250,000 and a small profits rate of 19% up to £50,000. Enhanced capital allowances continue, including the 100% first-year allowances for qualifying plant and machinery in Freeports, and a new 40% first-year allowance for main-rate expenditure will take effect from 1 January 2026. Writing-down allowances for main-rate assets are set to reduce from 18% to 14% from April 2026, affecting the tax benefit for assets not qualifying for full expensing.

Significant payroll changes have increased employer National Insurance contributions from 13.8% to 15%, with the secondary threshold reduced to £5,000 and the Employment Allowance raised to £10,500, while the previous £100,000 NIC liability cap has been removed. Businesses should review payroll costs and claim the allowance where eligible. Business rates reform will benefit retail, hospitality, and leisure sectors from April 2026, with permanently lower multipliers and transitional relief caps in place.

Other key business changes include modernised Corporation Tax reporting, anti-avoidance updates in the Construction Industry Scheme and CGT share exchange rules, and clarifications on image rights payments from April 2027.

Research and Development (R&D) tax relief has been restructured under a merged scheme, with Enhanced R&D Intensive Support (ERIS) offering higher relief rates for businesses where qualifying R&D exceeds 30% of total expenditure.

In addition, the abolition of the non-domiciled tax status from 6 April 2025 and the transition to a residence-based system for both income tax and inheritance tax represent a major shift for international taxpayers. Individuals and businesses alike should review foreign income, asset ownership, and reporting obligations carefully to mitigate unexpected liabilities.



In Summary

The 2025/26 tax changes reflect the government's focus on broadening the tax base, encouraging investment in R&D and green technologies, and improving compliance, while simultaneously freezing key thresholds and introducing targeted reliefs for individuals and businesses. These reforms will have a substantial impact on tax planning strategies, making proactive management of income, investments, and corporate expenditure more important than ever.





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