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SPOTLIGHT ON:

Tax year-end planning

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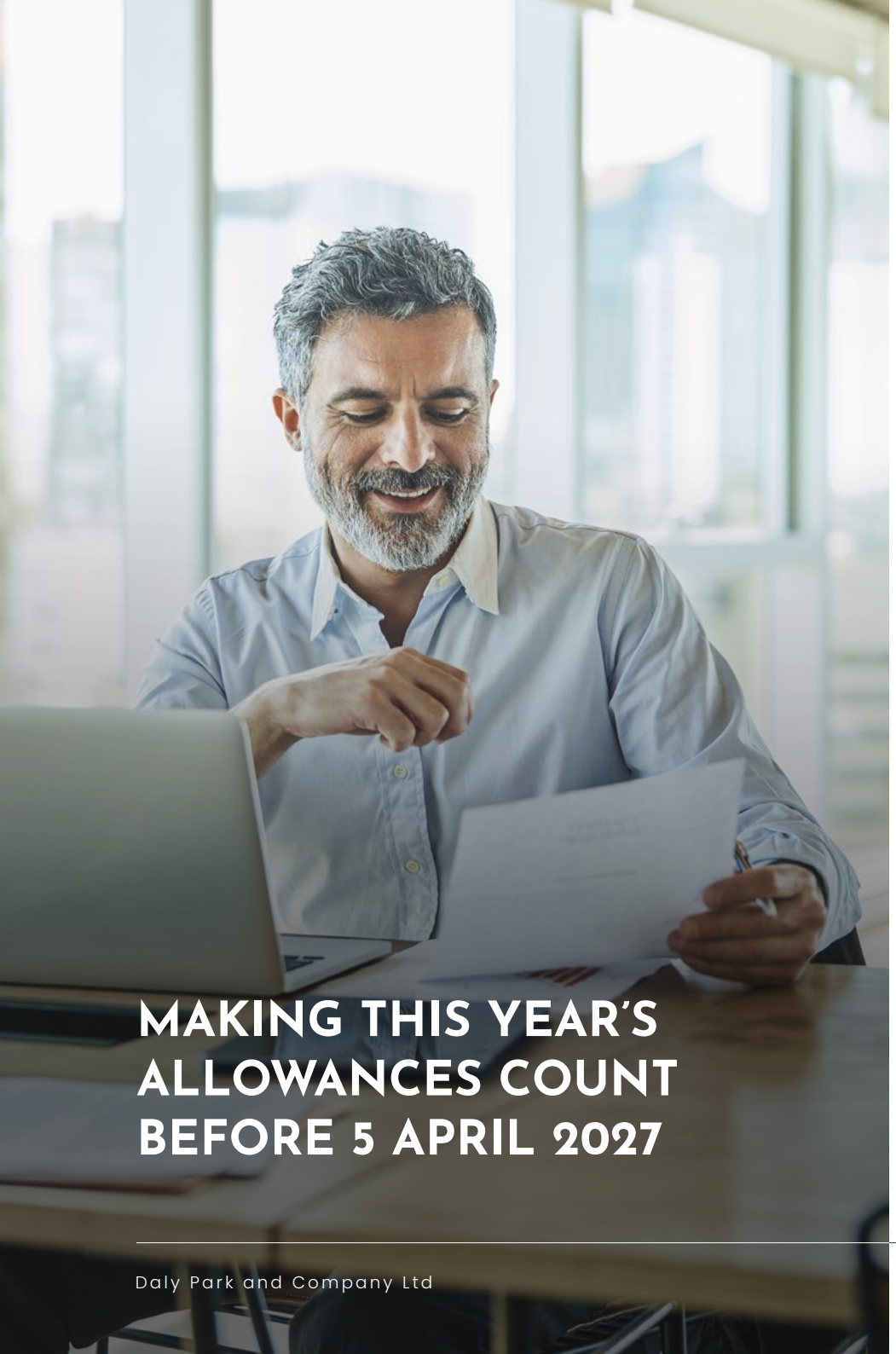


MAKING THIS YEAR'S ALLOWANCES COUNT BEFORE 5 APRIL 2027

Tax year-end planning means reviewing your income, savings, investments and gifts before 5 April, to ensure that you use the allowances and reliefs available for the current tax year before they reset. Many of them, including the £20,000 Individual Savings Account (ISA) allowance and the £3,000 Capital Gains Tax (CGT) annual exempt amount, cannot be carried forward. This means that if the 2026/27 allowances are not used by 5 April 2027, they will be lost.

With most income tax thresholds frozen until April 2031, more people are paying tax at higher rates each year, which means that utilising allowances becomes even more important. HMRC projects that 7.7 million people will pay higher rate income tax in 2026/27, a 33.8% increase on 2023/24, with a further 1.29 million paying the additional rate.

Budget 2026, delivered on 28 October 2026, confirmed higher tax rates on savings and property income from 6 April 2027 and a halving of the lifetime limit for Business Asset Disposal Relief (BADR). From the same date, most unused pension funds will fall within Inheritance Tax (IHT).

This guide explains the allowances and reliefs available, and what to do before 5 April.

KEY TAKEAWAYS

- **Watch the income thresholds:** pension contributions or Gift Aid can extend the basic rate band, reducing the amount of income taxed at higher or additional rates.
- **Consider timing of transactions:** savings and property income will be taxed at up to 49% from 6 April 2027, meaning delaying expenditure could be tax advantageous. The BADR lifetime limit falls from £1 million to £500,000, which should also be considered when planning for the sale of the whole or part of a business.
- **Review pensions in your estate:** most unused pension funds will be included in your estate for IHT purposes from 6 April 2027. It's therefore important to check nominations and wills.

CHECK YOUR INCOME AND MARGINAL TAX RATE

A good starting point for year-end tax planning is to estimate your total income for 2026/27 and, in particular, your adjusted net income. Certain income thresholds can result in effective marginal tax rates significantly higher than the headline rates, or the loss of valuable allowances and benefits. It may therefore be worth considering whether you can keep your adjusted net income below these thresholds through pension contributions or Gift Aid donations before 5 April 2027.

With the personal allowance at £12,570 and the higher rate threshold at £50,270, both frozen until April 2031 for taxpayers in England, Wales and Northern Ireland, the main thresholds to watch are:

- **£50,270:** the higher rate income tax threshold. Income above this level is generally taxed at 40%, rather than 20%.
- **£60,000 to £80,000:** the High Income Child Benefit Charge applies where adjusted net income exceeds £60,000. The charge claws back 1% of Child Benefit for every £200 of income above £60,000, until the full amount is recovered at £80,000.

- **£100,000 to £125,140:** the personal allowance is withdrawn by £1 for every £2 of adjusted net income above £100,000. This creates an effective marginal income tax rate of 60%. Adjusted net income above £100,000 also means you lose eligibility for Tax-Free Childcare and funded childcare entitlement in England.
- **£125,140:** the personal allowance is completely withdrawn and the 45% additional rate of income tax applies to income above this level.

Suppose your adjusted net income is £70,000 and you claim Child Benefit. You will have to repay 50% of the Child Benefit received through the High Income Child Benefit Charge.

Making a gross pension contribution of £10,000 could reduce your adjusted net income to £60,000, removing the High Income Child Benefit Charge altogether while also providing tax relief on the pension contribution.

Scottish taxpayers have different income tax rates and thresholds on earnings. However, the personal allowance taper and the High Income Child Benefit Charge thresholds apply across the UK.

HOW CAN PENSION CONTRIBUTIONS REDUCE MY TAX BILL?

Pension contributions can be one of the most effective year-end tax planning measures, because they can attract tax relief at your highest marginal rate of income tax.

Personal contributions to a relief at source scheme receive 20% basic rate relief automatically, and higher and additional rate taxpayers can claim further relief through their Self-Assessment tax return (SATR).

Tax relief on personal contributions is generally limited to 100% of your net relevant earnings. Separately, the annual allowance for 2026/27 is £60,000, covering total pension savings, including employer contributions. Unused allowance from the previous three tax years can generally be carried forward, subject to certain conditions.

The allowance is tapered to as little as £10,000 for people with threshold income above £200,000 and adjusted income above £260,000. Anyone who has already flexibly accessed a pension is normally limited to £10,000 a year.

Suppose your income for 2026/27 is £110,000. You will have lost £5,000 of your personal allowance because of the £100,000 income threshold. A net personal pension contribution of £8,000 will be topped up by basic rate tax relief to £10,000 in your pension. This reduces your adjusted net income to £100,000 and restores the full personal allowance. The contribution also generates a further £4,000 income tax saving through Self-Assessment. Including the £2,000 added by your pension provider, the total tax relief is £6,000, meaning a £10,000 pension contribution has an effective cost of just £4,000 – effective relief of 60%.

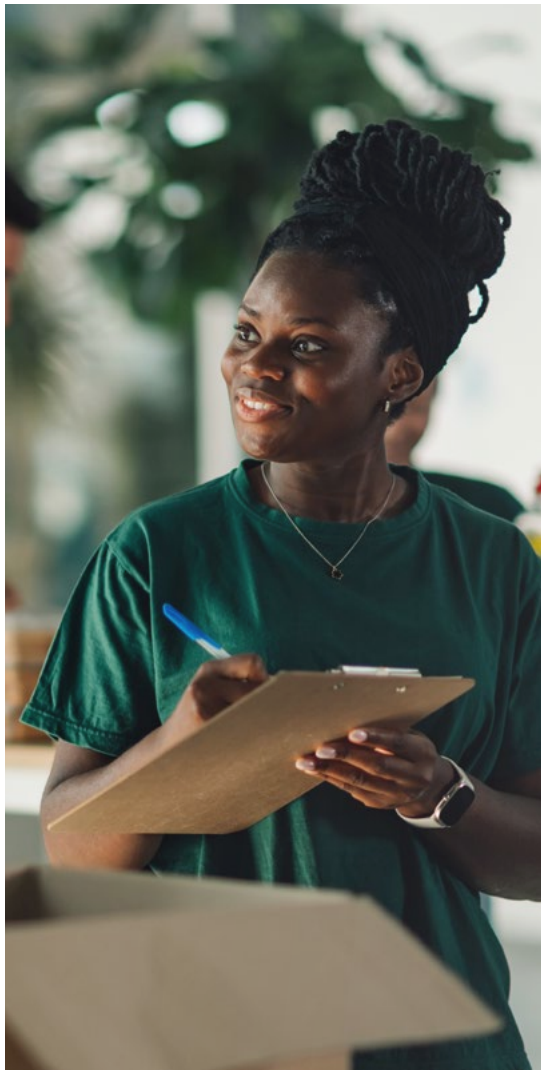
Contributions must be paid by 5 April 2027 to count for 2026/27 and some providers need several working days to process them.

GIVING TO CHARITY THROUGH GIFT AID

Gift Aid allows charities to reclaim basic rate tax on donations, while higher and additional rate taxpayers can claim further relief. If you are a higher rate taxpayer and give £800, the charity receives £1,000, and you can claim back £200 through your SATR.

Gift Aid donations also reduce adjusted net income which can help taxpayers to manage the £100,000 personal allowance taper and £60,000 High Income Child Benefit Charge threshold, in the same way as pension contributions.

A donation made after 5 April 2027 can also be treated as having been made in 2026/27, provided it is made before you file your 2026/27 SATR and you elect on that return by 31 January 2028. This can be beneficial where your tax rate is higher this year than next.



MAKING THE MOST OF ALLOWANCES AS A COUPLE

Each person has their own allowances meaning couples can often reduce their combined tax bill by sharing income and assets more evenly. Transfers between spouses and civil partners who live together are generally free of CGT, which makes it possible to move savings or investments to the partner who pays less tax or has unused allowances. Any transfer needs to be a genuine, outright gift to be effective for tax.

The allowances worth checking for each person include:

- **Dividend allowance:** £500 of dividends tax-free.
- **Personal savings allowance:** £1,000 of interest for basic rate taxpayers, £500 for higher rate taxpayers, and none for additional rate taxpayers.
- **Marriage allowance:** a spouse or civil partner who earns less than the personal allowance may benefit from transferring £1,260 of their unused allowance to a basic rate taxpayer partner, saving up to £252 for 2026/27. Claims can be backdated four years.
- **CGT annual exempt amount:** £3,000 each.

The tax implications depend on the type of asset and individual circumstances, so professional advice should be sought before making transfers.

SHOULD I USE MY ISA ALLOWANCE?

Generally, yes. ISA allowances are particularly valuable because of the increase to tax on savings interest from 6 April 2027. Income and gains inside an ISA are free of income tax and CGT, and the £20,000 allowance for 2026/27 is lost if it is not used by 5 April 2027.

Budget 2026 also confirmed that the planned cut to the cash ISA limit will not go ahead, meaning savers can continue to put the full £20,000 into a cash ISA.

It is important to take financial advice before selling or transferring investments, as tax is just one of several factors to consider.

TAX RATES ON SAVINGS INCOME

Income tax band	2026/27	From 6 April 2027
Basic rate	20%	24%
Higher rate	40%	44%
Additional rate	45%	49%

These rates apply to taxable savings income across the UK. Suppose you are a higher rate taxpayer with £40,000 in a savings account earning 4%. You would receive £1,600 of interest, which, after deducting your £500 allowance, would cost £440 in tax for 2026/27 and £484 in 2027/28. Moving £20,000 into a cash ISA before 5 April 2027 and another £20,000 on or after 6 April 2027 would shelter all of it.

Families can also invest into a Junior ISA, with a limit of £9,000 per year per child. Savers aged 18 to 39 can open a Lifetime ISA, paying in up to £4,000 a year towards a first home or retirement and receiving a 25% government bonus. Lifetime ISAs are due to close to new savers when a First Time Buyer ISA launches in April 2029, but existing accounts can continue.

LANDLORDS: HIGHER RATES FROM APRIL 2027

Rental profits will be taxed more heavily from 6 April 2027, when the property income rates rise to 24%, 44%, and 49% in England, Wales, and Northern Ireland.

Profits for 2026/27 are still taxed at the current rates which means that it is worth reviewing the timing of any genuinely flexible repairs or other deductible costs, which will save more tax if incurred from 2027/28 onwards.

Landlords and sole traders with qualifying income above £30,000 are also due to start using Making Tax Digital for income tax from 6 April 2027, keeping digital records and sending quarterly updates to HMRC.

Scottish landlords should check the property income rates set by the Scottish Parliament on 3 December 2026.

SHOULD I SELL INVESTMENTS BEFORE 5 APRIL?

It can make sense to realise some gains before 5 April 2027 if you have not used your £3,000 annual exempt amount for 2026/27, as any unused allowance cannot be carried forward. Gains above the exempt amount are taxed at 18% to the extent that they fall within your unused basic rate band and 24% thereafter.

Suppose you are a higher rate taxpayer considering disposing of shares for an £8,000 gain, but with no other gains this year. Selling them all now leaves £5,000 taxable, and a tax bill of £1,200. Selling half before 5 April 2027 and half on or after 6 April 2027 uses two years' exempt amounts, reducing the total to £480 – a saving of £720, although the share price may move in between.

Other points to consider include:

- **Losses:** selling an investment standing at a loss can be offset against gains made in the same tax year.
- **Repurchase rules:** shares sold and repurchased within 30 days are matched with the new purchase, preventing any gain or loss from being realised as intended.
- **Bed and ISA:** selling holdings and buying them back inside an ISA uses the exempt amount and protects future growth from tax.
- **Spouses:** transferring assets to a spouse or civil partner first can ensure that both exempt amounts are used.





BUSINESS OWNERS: THE BADR DEADLINE

If you are planning to sell a business, the timing of completion may matter more than usual.

The BADR lifetime limit falls from £1 million to £500,000 for disposals on or after 6 April 2027. BADR currently taxes qualifying gains at 18%, compared with 24% for higher rate taxpayers. This means that gains above £500,000 will lose that saving.

Suppose you sell your shares in a qualifying trading company with a gain of £800,000 and have not used BADR before. Ignoring the annual exempt amount, a disposal before 6 April 2027 gives tax of £144,000. After that date, £500,000 is taxed at 18% and £300,000 at 24%, a total of £162,000 – an extra £18,000.

Special rules apply to contracts agreed before 6 April 2027 but completed later. This means that timing a sale for tax reasons needs careful advice.

Furthermore, a separate Founders' Relief is due from 6 April 2027, offering a 10% rate on up to £10 million of lifetime gains for qualifying founders of high-growth companies. Its detailed conditions are still being consulted on.

Please do get in touch with us if you are considering selling your business.

GIFTS THAT ARE FREE OF IHT STRAIGHT AWAY

As well as income tax considerations, there are several IHT exemptions which could be utilised before 5 April 2027.

Several types of gift are exempt from IHT. The main exemptions are:

- **Annual exemption:** £3,000 a year, plus any unused exemption from the previous tax year.
- **Small gifts:** up to £250 per recipient, per tax year, provided no other gift exemption has been used for gifts to that recipient.
- **Wedding and civil partnership gifts:** £5,000 from a parent, £2,500 from a grandparent, and £1,000 from anyone else.
- **Normal expenditure out of income:** regular gifts from surplus income that do not reduce your standard of living, with no upper limit provided they are well documented.

The annual exemption works on a tax year basis, so any exemption unused from 2025/26 is lost if it is not used by 5 April 2027. A couple who made no gifts last year can give away £12,000 between them IHT-free, potentially saving £4,800 of IHT at 40%.

Larger gifts to individuals are generally potentially exempt transfers, which may fall outside your estate if you survive for seven years.

WHAT CHANGES FOR PENSIONS AND IHT IN APRIL 2027?

From 6 April 2027, most unused pension funds and pension death benefits will be included in a person's estate for IHT, following legislation in Finance Act 2026. Pensions have usually passed outside the estate until now, so many people have treated them as the last asset to spend and the first to pass on.

For estates above the £325,000 nil-rate band, plus the £175,000 residence nil-rate band (available on some homes passed to direct descendants), this could mean IHT at 40% on pension savings. Beneficiaries may also pay income tax on inherited pensions if death occurs after age 75. Budget 2026 confirmed that personal representatives will be able, in some circumstances, to direct pension schemes to pay the IHT due.

Before 6 April 2027, it is worth reviewing your IHT planning. In particular:

- **Nominations:** check who you have nominated to receive pension death benefits. Funds left to a spouse or civil partner are generally exempt.
- **Your will:** make sure it works alongside your pension arrangements.
- **Spending and gifting plans:** some people may choose to draw more pension income to fund regular gifts, but the income tax cost needs careful modelling.

HIGHER-RISK INVESTMENTS WITH TAX RELIEF

For experienced investors who are comfortable with risk, the venture capital schemes offer income tax relief on new investments:

- **Enterprise Investment Scheme (EIS):** 30% relief on up to £1 million a year, or £2 million where the excess goes into knowledge-intensive companies.
- **Seed Enterprise Investment Scheme (SEIS):** 50% relief on up to £200,000 a year.
- **Venture Capital Trusts (VCTs):** 20% relief on up to £200,000 a year, down from 30% for shares issued from 6 April 2026.

EIS and SEIS investments made in 2026/27 can be carried back to 2025/26, which can help where an earlier year had the higher tax bill. There are also CGT benefits to investing.

These are high-risk and often illiquid investments, and the relief is withdrawn if the shares are sold within the minimum holding period. It is essential to obtain regulated financial advice before investing in these products.





YOUR YEAR-END CHECKLIST

Before 5 April 2027, after you have estimated your income, you should check whether you have:

- **Topped up pensions:** using this year's allowance and any unused allowance from the previous three years.
- **Used your ISA allowance:** including Junior ISAs for children.
- **Used your CGT exempt amount:** along with any losses, before it resets.
- **Reviewed your savings income:** ahead of higher rates from 6 April 2027.
- **Made exempt gifts:** including any unused annual exemption from 2025/26.
- **Checked pension nominations and your will:** before pensions come within IHT.
- **Claimed marriage allowance:** if you are eligible, including any backdated years.

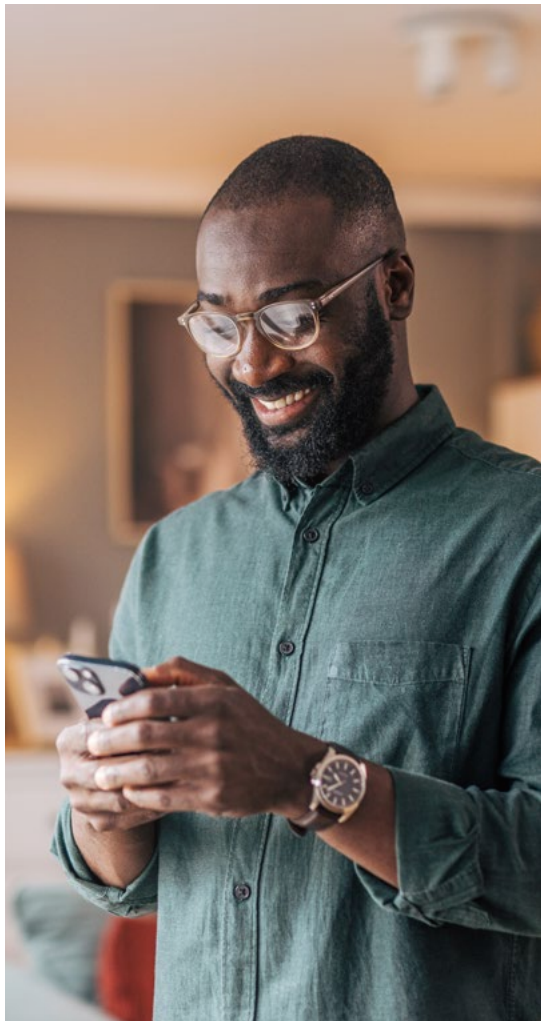
These points are especially important for those with income close to £60,000, £100,000 or £125,140.

IN SUMMARY

Year-end planning is mostly about timing. Many allowances are lost if they are not used by 5 April, and several changes take effect from 6 April 2027, so steps taken before then can secure the current rules. Pension contributions, ISA subscriptions, gains within the exempt amount, and exempt gifts are each straightforward, but they interact with one another and with your wider plans.

The main risk is leaving decisions to the final days of March. Pension providers and investment platforms often set earlier processing deadlines, and a rushed gift or sale can create tax problems of its own.

If you are planning pension contributions, investment or business sales, or gifts before 5 April 2027, contact us first so we can check the numbers with you.



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