



END OF YEAR TAX PLANNING

Key allowances and limits for the 2025/26 tax year

As the end of the 2025/26 tax year approaches, it is a good time to review whether you have made full use of the allowances and reliefs available to you.

Once the tax year ends, most allowances cannot be carried forward, so a review before 5 April can help ensure opportunities are not missed and that your planning remains aligned with your wider financial goals.

Leaving action until the final days of the tax year may limit available options, particularly where investments or pension contributions require processing time.

Here is a summary of the key allowances and tax considerations for the current tax year.

Tax considerations for the current tax year

Personal allowance

The tax-free personal allowance for income tax is £12,570 and is currently frozen until April 2026.

The allowance is reduced by £1 for every £2 of income above £100,000 and is fully removed once income reaches £125,140. This creates a higher effective rate of tax within this range.



Marriage allowance

The marriage allowance allows eligible individuals to transfer up to £1,260 of their personal allowance to a spouse or civil partner.

The recipient must be a basic rate taxpayer, and claims can be backdated for up to four tax years.

Rent a room scheme

You can earn up to £7,500 per year tax-free from renting furnished accommodation in your main residence under the rent-a-room scheme. If rental income is shared with another person, such as a spouse or partner, the allowance is £3,750 each.

Driveway rental

You can also earn up to £1,000 tax-free from certain types of property or trading income, such as renting out a driveway or parking space. If income exceeds this amount, it must normally be declared to HMRC.

Capital Gains Tax (CGT)

The capital gains tax annual exemption is £3,000 for individuals.

Where gains exceed this level, tax may be payable depending on the type of asset and your tax band. Reviewing investment gains before the tax year ends may allow available allowances to be used effectively.



Dividend income

The dividend allowance is £500.

Dividend income above this amount is taxed at:

- 8.75% for basic rate taxpayers
- 33.75% for higher rate taxpayers
- 39.35% for additional rate taxpayers

Dividend tax rates are due to increase from April 2026, meaning investors holding assets outside ISAs or pensions may face higher tax bills in future tax years.

Personal savings allowance

The personal savings allowance allows individuals to earn interest tax-free, depending on their income tax band:

- £1,000 for basic rate taxpayers
- £500 for higher rate taxpayers
- £0 for additional rate taxpayers

Inheritance tax

Each individual benefits from an inheritance tax nil rate band of £325,000. An additional residence nil rate band of up to £175,000 may also be available, subject to conditions.

You can gift up to £3,000 each tax year free from inheritance tax. Unused annual exemption can normally be carried forward for one tax year.

Other exemptions may apply, including:

- Small gifts of up to £250 per person per tax year
- Wedding gifts within specified limits
- Gifts from surplus income, subject to conditions

Individual Savings Account (ISA)

ISAs provide a tax-efficient environment for saving and investing, with no income tax or capital gains tax payable on investments held within the ISA.

The ISA allowance for the 2025/26 tax year is £20,000 per person.

This is the total amount that can be contributed across all adult ISA types combined, including:

- cash ISAs
- stocks and shares ISAs
- lifetime ISAs (subject to a £4,000 limit within the overall £20,000 allowance)
- innovative finance ISAs

You can choose to invest the full £20,000 into one type of ISA, or spread it across multiple ISA types.

Total contributions must not exceed £20,000 in the tax year.

Unused ISA allowance cannot be carried forward to future tax years.

An ISA is a medium to long-term investment aiming to increase the value of the money you invest for growth, income, or both. The value of your assets and any income from them can fall as well as rise.

You may not get back the amount you invested.

Tax concessions are not guaranteed and may change in the future.

Individual Savings Account (ISA)

Lifetime ISA

A lifetime ISA allows contributions of up to £4,000 per year, which forms part of the overall £20,000 ISA allowance, not in addition to it.

The government provides a 25% bonus on contributions, up to £1,000 per year, subject to eligibility and conditions.

Lifetime ISAs are available to individuals aged 18 to 39, and contributions can be made until age 50.

Junior ISA

Junior ISAs have a separate allowance of £9,000 per child per tax year.

This allowance does not affect the adult ISA allowance.

Parents or guardians can open and manage a junior ISA on behalf of a child who is a UK resident.



Pension contributions and available tax relief

The pension annual allowance is £60,000. This includes both personal and employer contributions.

For individuals with adjusted income above £260,000, the annual allowance may be reduced under tapering rules.

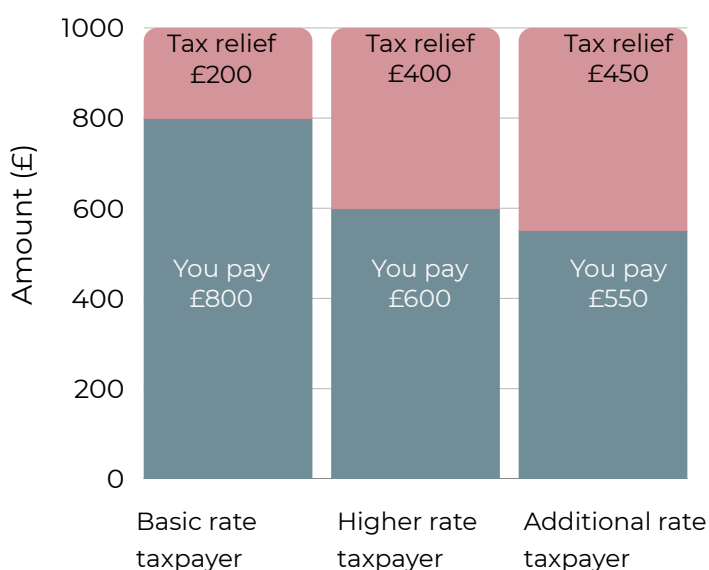
If you are under age 75, you can normally receive tax relief on pension contributions up to the higher of:

- 100% of relevant UK earnings, or
- £3,600 gross

It may also be possible to carry forward unused pension allowance from the previous three tax years, provided you were a member of a pension scheme during those years. Where carry forward is used, the oldest available allowance must be used first.

Pension contributions can also influence wider tax planning, including income tax thresholds and eligibility for certain allowances.

To invest £1,000 in a pension



Time for an end of tax year review?



Tax planning does not need to be complex, but timing matters. Once the tax year ends, unused allowances are lost. Taking time now to review ISAs, pensions, gifting and taxable investments can help ensure your finances are as efficient as possible before 6 April 2026.

Seeking professional financial advice can help you understand which allowances are most relevant to your circumstances and how they fit into your wider financial plan.

If you would like to review your current position or discuss how these allowances apply to your circumstances, please speak to your Tavistock Private Client adviser or contact Tavistock Private Client to arrange a conversation.

Important information

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and future change. Tax treatment depends on personal circumstances and may change in the future.

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