

UK Year-End Tax Planning Strategies for 5 April 2026

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By **Paul Webb**, 24th February 2026

As we approach the end of the 2025/26 tax year, now is the ideal time to review your personal tax position and assess whether you are making full use of the reliefs and allowances available. The UK tax landscape continues to evolve, and proactive planning ahead of 5 April 2026 can make a meaningful difference to your overall tax efficiency.

Below is a summary of key year end planning opportunities for individuals, families, and business owners.

1. Income Tax Planning

Use your personal allowance

If your income is below the personal allowance (£12,570), consider whether income can be transferred or reallocated within a family (e.g., through jointly held investments) to make full use of available allowances.

Managing the 60% effective tax rate

Income between £100,000 and £125,140 is subject to an effective 60% tax rate due to the tapering of the personal allowance. Planning strategies include:

- Making pension contributions
- Gift Aid donations
- Deferring income where possible

Dividend and savings allowances

The dividend allowance and savings allowances remain valuable tools:

- Dividend allowance: £500 for 2025/26

- Personal savings allowance: £1,000 (basic rate), £500 (higher rate), £0 (additional rate)

Consider whether dividends or interest can be timed to fall in the most tax efficient year.

2. Capital Gains Tax (CGT) Planning

Use your annual CGT exemption

The annual exemption remains at £3,000 for 2025/26. If you do not use it before 5 April, it is lost.

Strategies include:

- Crystallising gains up to the allowance
- Rebalancing investment portfolios
- “Bed and ISA” or “Bed and spouse” transactions, ensuring anti avoidance rules are observed

Review your investment portfolio

With different CGT rates applying to residential property and other assets, it is important to consider whether gains should be realised now or deferred depending on your wider tax position.

3. Pension Contributions

Pensions remain one of the most tax efficient planning tools.

Maximise your annual allowance

The standard annual allowance is £60,000, subject to tapering for high earners. You may also be able to use carry forward from the previous three tax years.

High earners

If your adjusted income exceeds £260,000, your annual allowance may taper down to as little as £10,000. Making contributions before year end can:

- Reduce your income tax
- Restore your personal allowance
- Lower exposure to the child benefit charge

Lifetime allowance abolition

Although the lifetime allowance has been abolished, new lump sum limits apply. Pension strategies should be reviewed to ensure they remain aligned with the revised framework.

4. ISAs and Other Tax Efficient Investments

Use your ISA allowance

Each individual can invest up to £20,000 into ISAs in 2025/26. Growth and withdrawals are tax free.

Junior ISAs

Up to £9,000 can be invested for each child.

Venture Capital Schemes

For suitable investors:

- EIS: 30% income tax relief, CGT deferral
- SEIS: 50% income tax relief
- VCTs: 30% income tax relief, tax free dividends

These carry higher risk and should be considered carefully.

5. Inheritance Tax (IHT) Planning

Annual gifting allowances

Before 5 April, consider using:

- The £3,000 annual exemption
- Small gifts of up to £250 per person
- Regular gifts out of surplus income

Review your estate plan

With frozen thresholds and rising asset values, more estates are being drawn into inheritance tax. Reviewing wills, trust arrangements, and life insurance can help manage future liabilities.

6. Family Tax Planning

Marriage allowance

If one spouse earns below the personal allowance and the other is a basic rate taxpayer, up to £1,260 of allowance can be transferred.

Children and investments

Income from parental gifts to children is taxed on the parent if it exceeds £100 per child per year. Using grandparents or Junior ISAs can be more efficient.

7. Property Owners

Mortgage interest relief for landlords

Landlords should understand the impact of the basic rate restriction on mortgage interest and consider whether incorporation or restructuring could improve tax efficiency.

Principal private residence relief

If you are planning to sell your home, ensure occupation patterns and elections (for those with multiple properties) are up to date.

8. Business Owners and Directors

Dividends vs salary

Review the most tax efficient extraction strategy before year end.

Company pension contributions

Employer contributions can be highly efficient and reduce corporation tax.

Capital allowances

If your business is planning capital expenditure, timing it before year end may accelerate tax relief.

9. Charitable Giving

Gift Aid donations made before 5 April can:

- Reduce your income tax
- Potentially restore your personal allowance
- Be carried back to the previous tax year if made before filing your return
- Consider making larger donations in tranches

10. Review Your Tax Code and Payments on Account

Unexpected underpayments often arise from incorrect tax codes. Year end is a good time to check your coding notice and review whether payments on account for 2025/26 are appropriate.

Final Thoughts

Year end tax planning is most effective when tailored to your personal circumstances. The rules continue to evolve, and the freezing of many allowances means more individuals are being drawn into higher tax brackets. Taking action before 5 April 2026 can help you protect your wealth, reduce unnecessary tax exposure, and plan confidently for the year ahead.

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