

Ten tips as the tax year end approaches



At Handelsbanken Wealth, we focus on advising our clients of the most sensible and appropriate ways in which to reduce or defer their tax bills. The cornerstone of our approach is finding the most straightforward means of accomplishing this.

With the end of the 2025/26 tax year just around the corner, and some significant changes coming on 6 April 2026, here are our Top 10 Tax Planning Tips aimed at helping you make the most of the time remaining before 6 April.

Tip 1 Top up your pension

Make sure to contribute to your pension to maximise your tax benefits. Pensions come with substantial tax breaks, which make them a useful tax-planning tool.

Although you'll pay income tax when you start using your pension to draw a regular income, you receive tax relief (at your highest marginal rate) on your contributions while any investments benefit from tax-free income and growth so long as they're held within the pension wrapper.

Generally, from the age of 55 (rising to 57 in 2028), you can withdraw a tax-free lump sum of up to 25% of the value of your pension. There are also generous death benefits for your loved ones, should you pass away before you turn 75.

Understanding pension tax relief

If your pension is subject to the 'relief at source' rules, which cover most private pensions and SIPPs, then your pension contributions provide income-tax relief by extending your basic and higher-rate tax bands by the value of your 'grossed up' contributions. This means that, in effect, more of your income is taxed at lower rates.

In this scenario your pension provider claims 20% tax relief from HMRC and adds this to your pension pot. If you're a higher (40%) or additional-rate (45%) taxpayer, you simply claim the additional tax relief through your annual tax return.

This is because the gross value of your pension contributions reduces your taxable income. This approach is especially beneficial for those with an annual income of £100,000 or more, as it can help to re-instate your income-tax personal allowance (currently £12,570). This allowance is lost at a rate of £1 for every £2 you earn over £100,000, and so disappears entirely when your earnings hit £125,140 a year.

This means that those in this position face an effective 60% tax bill on every pound earned between £100,000 and £125,140, which includes bonus payments. By making pension contributions you can potentially reinstate some, or all, of your personal allowance.

If your pension is subject to the 'net pay' rules, which cover many work-based pension schemes, then your pension contributions are paid from your gross salary and provide income-tax relief at your highest rate, so no further tax relief is due through your tax return.

Making pensions work for you

You can claim income-tax relief on annual contributions of up to £60,000 (employee and employer contributions combined) or 100% of your earnings – whichever is lower. Your annual allowance may be reduced to £10,000 for very high earners, or for those who may already have accessed their pensions.

If you're thinking of contributing a larger sum to your pension, then you may be able to 'bring forward' any unused pension contribution relief from the previous three tax years.

Bear in mind that pensions are complex. This means professional advice may be required before making additional contributions in order to avoid any unwanted tax charges arising.

Tip 2 Make charitable donations

If you're a higher or additional-rate taxpayer, then you may wish to make charitable donations before the end of the tax year to reduce your overall tax bill.

Donations made to UK charities are also immediately exempt from inheritance tax (IHT), making them an effective method of reducing the value of your estate.

Donating through Gift Aid means that UK-based charities can claim an extra 25% of your donation from HMRC at no extra cost to you.

The gross value of your Gift Aid donation extends your higher and additional-rate tax bands so that you pay income tax at a lower rate on more of your income. This is just the same as the way in which tax relief works for pension contributions made under the 'relief at source' method (see Tip 1 above).

As with pension contributions, Gift Aid donations reduce your income for the purposes of reinstating your income-tax personal allowance if your annual income exceeds £100,000.

Don't worry if you don't manage to make any charitable donations before the end of the tax year. Strict rules apply, but in certain circumstances, the Gift Aid scheme allows you to 'carry back' donations made during the 2026/27 tax year, so that they're treated as having been paid in the 2025/26 tax year.

If you choose to make Gift Aid donations, it's wise to keep detailed records, so you don't forget to include them in your annual tax return.

Income-tax relief is also available if you donate qualifying assets (ie UK land and buildings or quoted shares or securities) to charity. Detailed rules apply here which means you should seek tax advice if this is an option you'd like to explore.

Any gift of qualifying assets to charity provides income-tax relief in the tax year in which the gift is made. Unlike a cash donation made under Gift Aid, it isn't possible to 'carry back' income-tax relief to a prior tax year.

Tip 3 Use your ISA allowance

Individual savings accounts (ISAs) are excellent vehicles for building up savings and investments as the returns are completely free from income and capital gains tax (CGT).

While ISAs are included in your estate for IHT purposes, you can leave your ISA to your spouse or civil partner when you die, and it will retain its income tax and CGT protected status.

There are numerous different ISAs available, including cash ISAs, stocks and shares ISAs, innovative finance ISAs and junior ISAs (or 'JISAs') for children under the age of 18.

Some providers also offer a lifetime ISA (or 'LISA') to those aged between 18 and 40. Here subscribers can contribute up to £4,000 per year and receive an extra 25% top up from the government. However, LISA funds can't be withdrawn unless they're used to buy your first home (subject to a £450,000 cap), or when you turn 60.

Currently, the annual ISA allowance of £20,000 is available to all UK-resident individuals aged 18 or over. Your allowance can be used to hold a combination of ISA types, provided that the £20,000 limit isn't exceeded.

Meanwhile, the annual JISA allowance is £9,000 per child.

Unlike pension contributions, ISA annual allowances can't be carried forward, which means that, if you don't use your 2025/26 ISA allowance before 6 April 2026, you'll lose it forever.

Tip 4 Make IHT-exempt gifts

You might consider making financial gifts in order to reduce the value of your estate for IHT purposes.

Each tax year, all individuals have an annual exemption whereby they're able to give away up to £3,000 without being caught by IHT.

The £3,000 annual exemption, or any unused part of it, may be carried forward for one tax year only, so you have until 5 April 2026 to use your 2024/25 IHT annual exemption if it hasn't already been used.

It's good practice to utilise your IHT annual exemption before the end of each tax year to ensure your estate benefits from future IHT savings. While the exemption in itself is relatively small, the tax savings quickly start to add up if you use your exemption consistently down the years.

No wrapping required

It's worth remembering that larger gifts, in excess of the IHT annual exemption, can also be made, but you'll need to survive for seven years subsequent to making such a gift, in order for it to fall completely outside of the UK's IHT regime.

Where you have more annual income than you might realistically require (cash modelling can help you to understand what you really need here), gifts of the excess can be made. Such gifts are immediately exempt from IHT, so long as certain conditions are met, with no requirement to survive seven years.

Well publicised changes to the availability of IHT Business Relief (BR) and IHT Agricultural Relief (AR) are also set to be implemented from 6 April 2026. Although the government has recently 'rowed back' and softened the impact of the upcoming changes, if you and your family are affected, you should seek tax advice before the end of the tax year to ensure that any existing planning undertaken under the old rules remains appropriate once the new rules come into force.

Tip 5 Use your CGT annual exemption & crystallise capital losses

Currently, you're able to crystallise up to £3,000 worth of capital gains per year before CGT is incurred. If it isn't used, your £3,000 annual CGT exemption can't be carried forward to the next tax year; it's a 'use it or lose it' tax exemption.

Where capital gains fall within your basic-rate income-tax band, the rate of CGT payable is 18%. Higher and additional-rate taxpayers are liable to a 24% tax charge.

In addition to realising capital gains, it might also be worth crystallising any available capital losses before the end of the tax year.

Capital losses are automatically offset against any capital gains made within the same tax year, so it may be beneficial to crystallise losses to reduce your total CGT liability for 2025/26.

Crystal clear

To crystallise a capital loss, you must make an outright disposal of the asset by means of a sale, or a gift, to an unconnected third party. If this isn't possible, and certain conditions are met, you can always create a notional disposal of the asset by making what's called a 'negligible value claim' through your 2025/26 tax return.

You might also consider transferring assets with a current capital gain to your spouse or civil partner before the end of the tax year to utilise their CGT allowance along with any capital losses they may have. Keep in mind though, that any such gift must be unconditional; there can't be any 'strings attached'.

In order for crystallised losses to be valid, they must be claimed no later than four years after the end of the tax year in which they arose. This means that you still have until 5 April 2026 to claim any unclaimed capital losses arising in the 2021/22 tax year.

Double-check your records for any that you may have missed and submit a written claim to HMRC.

Remember: capital losses crystallised on Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) shares may be offset against your taxable income, rather than capital gains if that's your preference.

Tip 6 Accelerate business asset disposals: the CGT rate rises on 6 April 2026

Business Assets Disposal Relief (BADR), formerly known as Entrepreneurs' Relief, reduces the rate of CGT payable on qualifying business disposals up to a lifetime limit of £1 million of qualifying capital gains.

Broadly, BADR is available to individuals disposing of their sole trader business, interest in a partnership, or shares in the company they work for, if the detailed conditions are met.

From 6 April 2026, the BADR CGT rate will increase from 14% to 18%. This means that accelerating the disposal of BADR-qualifying assets, so that they fall within the 2025/26 tax year, will save an additional 4% in CGT.

Tip 7 Time the maturity of interest receipts

Looking further ahead, from 6 April 2027, the income-tax rates applied to earned interest will increase by 2% across all tax bands. Basic-rate taxpayers will be charged 22% on their interest receipts, higher-rate taxpayers face a 42% charge while additional-rate taxpayers will pay 47%.

If you're thinking about placing cash funds on 12-month deposit with a bank or other financial institution, there's a premium to be had by organising this within the 2025/26 tax year.

This is because, after 12 months, your interest receipt will fall into the 2026/27 tax year. So, if you miss the 5 April deadline for the 2025/26 tax year, your 12-month interest receipt will fall in the 2027/28 tax year, when you'll be required to pay an extra 2% in income tax on the interest you receive.

Naturally, such steps bring forward the date when any tax due on the deposit interest is payable. If this is something you're considering, you'll also need to assess whether you might stand to lose more in interest than in tax. This can happen in situations where accelerating the receipt of the interest requires switching to an account, or fixed-term deposit, with a lower interest rate, or foregoing the compounded returns that would have been earned had the funds been invested for longer.

Tip 8 Remuneration from your personal company

If you're a company owner/manager, be sure to make use of your annual dividend allowance, which currently stands at £500 for the 2025/26 tax year.

Although the allowance is modest, it's worth timing when you pay the dividend to ensure that the allowance is used before the end of the tax year.

Paying yourself using dividends can be beneficial. This is for the simple reason that dividend income-tax rates are lower than those applied to other income sources such as your salary. The current dividend tax rates are 8.75% for basic-rate taxpayers, rising to 33.75% and 39.35%, respectively, for higher and additional-rate taxpayers.

From 6 April 2026, dividend-tax rates will increase to 10.75% for basic-rate taxpayers and 35.75% for higher-rate taxpayers. For additional-rate taxpayers, the dividend income-tax rate will remain at 39.35%.

Given the coming increase in dividend tax, timing a dividend payment to fit within the current tax year will save both basic and higher-rate taxpayers 2% in income tax.

Keep in mind, however, that dividends don't count as earnings for the purposes of making personal pension contributions. Neither are dividend payments allowable deductions when calculating your company's taxable profits.

If you're a business owner, deciding whether it's more tax-efficient overall to draw a salary or to pay yourself in dividends or, as is often the case, to have a balance between the two, is a nuanced question. It will depend on your specific circumstances and the nature of your company. This makes professional tax advice a must.

Tip 9 Consider venture capital investment schemes

For investors with a greater risk appetite, and a higher capacity for loss, subscriptions for shares under the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) offer 30% and 50% income-tax relief, respectively, on investments. Where shares are issued on or before 5 April 2026, income-tax relief may be claimed in 2025/26, or carried back to 2024/25.

Income-tax relief is only available for investments made up to certain limits (broadly £1 million for EIS and £200,000 under the SEIS). A further investment limit of £1 million is available for EIS subscriptions made for shares in knowledge-intensive companies.

Subscriptions for new shares in venture capital trusts (VCTs) provide income-tax relief at 30% on investments of up to £200,000. Furthermore, dividends from VCTs are usually exempt from income tax.

Tax relief for VCT subscriptions is only available in the tax year in which the subscription is made and cannot be carried back to the previous tax year. This means you have until 5 April 2026 to make a qualifying VCT subscription for 2025/26, if you wish to claim income-tax relief in this way for the current year.

This is another opportunity for tax relief that will decline in the coming tax year. The 30% income-tax relief rate for VCT subscriptions falls to 20% from 6 April 2026.

EIS, SEIS and VCTs carry a high degree of investment risk and so are not suitable for everyone. You may get back less than you invested.

Tip 10 Making tax digital for income tax (MTD)

From April 2026, many self-employed individuals and landlords will need to follow new digital reporting rules under what's called 'MTD for income tax'.

If you're within the scope of the new rules, you'll need to keep digital records and send quarterly updates of your income and expenses to HMRC. An end of period statement will replace your current annual self-assessment tax return.

If in 2024/25, your turnover from trading and/or property income was £50,000 or more, you'll fall under the new MTD rules from 6 April 2026, with your first quarterly update due no later than 7 August.

Not everyone in this group will need to join the new regime as various exemptions are available. A good checklist for those potentially in scope is to have done the following before 6 April 2026:

- Check if your property and/or trading income brings you within scope of the new rules.
- Find out if you qualify for an exemption and if this is automatic, or whether you'll be required to apply for the exemption.
- Review how you currently keep your records to ensure they can be maintained digitally.
- Get to grips with the new rules and ongoing reporting cycle by familiarising yourself with the new upcoming reporting deadlines.
- If appropriate, investigate suitable software options in good time so as to avoid a rush later.

A link to our more detailed insight into MTD can be found here:

wealthandasset.handelsbanken.co.uk/knowledge-hub/learning-zone/learning-zone-making-tax-digital-for-income-tax/

The value of investments and any income from them can fall and you may get back less than you invested.

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The value of the pension received when taking benefits from a pension will depend on various factors including, but not limited to, contributions made, charges and fees, tax treatments, annuity rates, investment performance. Professional advice should be taken before any course of action is pursued.

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