



## Client Bulletin

March 2026

### CLIENT YEAR-END REVIEW

#### *Year-end review*

The 2025/26 tax year ends on 5 April 2026. As this date approaches, it is prudent to review your tax affairs to determine whether there is any action you can take to reduce your tax liabilities.

As a starting point, consider whether you have used your 2025/26 allowances in full. Many annual allowances, such as the personal allowance, the dividend allowance and the capital gains tax annual exempt amount, are lost if they are not used in the tax year to which they relate – any unused amounts cannot be carried forward.

If you have not used your personal allowance, consider whether you can advance income so that it falls in 2025/26 rather than in 2026/27. If you are a director/shareholder of a personal company, you may be able to pay dividends to mop up any unused personal and dividend allowances.

Spouses and civil partners can consider making a marriage allowance claim. This allows one partner to transfer £1,260 of their personal allowance to their spouse/civil partner. A claim can be made as long as the recipient is a basic rate taxpayer. This can save the couple up to £235 in tax.

The personal allowance is reduced once income reaches £100,000 and taxpayers with income of £124,140 and above do not receive a personal allowance. If you are losing some or all of your allowance, consider making pension contributions or gift aid donations to reduce your income and claw some or all of it back.

If you are planning on making capital disposals and have not used your capital gains tax annual exempt amount for 2025/26, consider making the disposal before the end of the tax year if the disposal will trigger a chargeable gain. Spouses and civil partners can make use of the rules that allow them to transfer assets between them at a value that gives rise to neither a gain nor a loss to maximise the use of available annual exempt amounts.

It is also advisable to review pension contributions before 6 April 2026 and, where finances allow, make use of the 2025/26 annual exempt amount, and once this has been used, unused amounts for the previous three years. Remember, any unused annual allowance for 2022/23 will be lost if it is not used by the end of this tax year. If you operate your business through a personal or family company, the company can contribute to your pension. This can be a good option.

Please contact us as soon as possible to book your year-end review.

## **REDUCTION IN BADR**

### ***Business disposals***

Business Asset Disposal Relief (BADR) is a capital gains tax relief that reduces the capital gains tax payable on qualifying disposals. Rather than paying capital gains tax at 18%/24%, where a disposal is made before 6 April 2026 which qualifies for BADR, the gain will be taxed at 14% as long as it is within the lifetime BADR limit of £1 million. Spouses and civil partners have their own £1 million limit. Where the disposal is made on or after 6 April 2026, the tax rate for gains qualifying for BADR is increased to 18%.

However, to access BADR it is necessary that the qualifying conditions have been met for the two-year qualifying period.

If you are planning on selling your business, we can help you determine the optimal disposal date.

## **TAX ON DIVIDENDS**

### ***Dividend tax rate rise***

All taxpayers regardless of their income receive a dividend allowance, which for 2025/26 is set at £500. It remains at this level for 2026/27. Dividends not sheltered by the dividend allowance or the personal allowance are taxed as the top slice of income at the dividend tax rates.

For 2025/26, the ordinary dividend rate which applies to dividends falling in the basic rate band is 8.75%, the upper dividend rate which applies to dividends falling in the higher rate tax band is 33.75% and the dividend additional rate which applies to dividends falling in the additional rate band is 39.35%.

However, from 6 April 2026, both the ordinary and upper dividend tax rates rise by two percentage points to, respectively, 10.75% and 35.75%. There is no change to the dividend additional rate which remains at 39.35%.

If you have a personal or family company which has retained profits, consider whether it is beneficial to pay dividends before the end of the tax year to mop up unused dividend allowances and to take advantage of the lower ordinary and upper dividend tax rates applying for 2025/26.

Contact us to check that your dividend strategy is tax efficient.

## **RENTAL INCOME**

### ***Property tax rates***

From 6 April 2027, new higher rates of income tax will apply to income from property. The property tax rates will be set at two percentage points higher than the standard income tax rates. This means that for 2027/28 income from property will be charged at 22% where it falls in the basic rate band, 42% where it falls in the higher rate band and at 47% where it falls in the additional rate band. From the same date, the personal allowance will be set against employment, trading and pension income before being set against property income.

Landlords should be aware of the tax rises when setting rents and should also be mindful of the changes introduced by the Renters' Rights Act 2025 which limit the ability of landlords to increase rent.

If you have a property portfolio, please get in touch to discuss what these changes mean for you.

## **TAX ON SAVINGS**

### ***Savings income***

From 6 April 2027, new tax rates will apply to savings income. This will be aligned with the new property tax rates and will be two percentage points higher than the standard income tax rates. From that date, savings income will be taxed at 22% where it falls in the basic rate band, 42% where it falls in the higher rate band and 47% where it falls in the additional rate band.

Basic and higher rate taxpayers receive a personal savings allowance in addition to their personal allowance. For basic rate taxpayers this is set at £1,000 and for additional rate taxpayers it is set at £500. Additional rate taxpayers do not receive a personal savings allowance.

If you receive savings income in excess of your personal allowance you will pay more tax on this income from 6 April 2027. To put this into context, at an interest rate of 4% you will receive interest of £1,000 on savings of £25,000 and interest of £500 on savings of £12,500. If you fall into this bracket, it is advisable to review your savings and consider tax-free options, such as ISAs.

Why not get in touch to book a savings review?

### ***Cash ISA limit***

Interest and dividends on cash and stocks and shares held within an ISA are tax-free. Savers can invest up to £20,000 each year in an ISA. Currently, this can all be in cash, all in stocks and shares or a mix of the two.

However, from 6 April 2027, this is to change. While the ISA limit will remain at £20,000, from that date, anyone under 65 will only be able to invest up to £12,000 in a cash ISA. The reduction in the cash ISA limit does not apply to those aged 65 and over.

If you have not yet used your ISA limit for 2025/26, consider whether it is worth investing in an ISA before 6 April 2026. A further investment of up to £20,000 can be made on or after 6 April 2026 to utilise the 2026/27 limit. This can all be in a cash ISA if that is preferred.

Contact us to find out what the changes in the ISA rules will mean for you.

## **MTD FOR ITSA**

### ***Making Tax Digital for Income Tax Self Assessment***

If you are a sole trader and/or a landlord and you had combined trading and property income of £50,000 or more in 2024/25, you will need to comply with Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) from 6 April 2026.

The relevant income is your gross income before deducting any expenses and it is your total income from both sources. This means, for example, that you will need to comply with MTD for ITSA from 6 April 2026 if you had gross rental income of £15,000 and gross trading income of £40,000 in 2024/25 as your combined income from these sources is more than £50,000. It does not matter that individually both your trading income and your property income are below this figure.

If you are within MTD for ITSA, from 6 April 2026, you will need to keep digital records of your income and your expenses using MTD-compatible software. You will also need to make quarterly returns of your income and expenditure to HMRC and a final declaration, again using MTD-compatible software.

We can help you understand and meet your obligations under MTD for ITSA.

## **HOMEWORKING EXPENSES**

### ***Homeworking***

If you are required to work from home, your employer can make a tax-free payment to cover the additional costs incurred as a result of working from home, such as additional electricity and heating costs. You can receive a tax-free amount of £6 per week. Alternatively, if your actual costs are higher and you can provide evidence of this, your employer can reimburse these costs tax-free.

Currently, if your employer does not pay additional homeworking expenses, you can claim a tax deduction, either for the statutory £6 per week or, with evidence, the actual additional costs incurred as a result of working from home.

From 6 April 2026, employees will no longer be able to claim a deduction for the extra costs of working from home. However, employers will still be able to make a tax-free reimbursement of these costs.

We can explain what this change will mean for you and explain how to make claims for 2025/26 and earlier tax years.

## **STATUTORY SICK PAY**

### ***SSP changes***

The scope of statutory sick pay (SSP) is being widened from 6 April 2026. Currently, employees are only entitled to be paid SSP if their average weekly earnings are at least equal to the lower earnings limit for National Insurance contributions, currently £125, and they have been sick for at least four consecutive days. Where this is the case, they will receive SSP from the fourth working day of their sickness absence after the waiting days have been served. The waiting days are the first three working days that the employee is sick.

This is all to change from 6 April 2026. From that date, all employees will be entitled to be paid SSP from the first working day that they are sick. The requirement to serve waiting days will no longer apply.

The weekly amount of SSP will be the lower of 80% of the employee's average weekly earnings and the statutory amount which is set at £123.25 per week for 2026/27. Protections will apply so that employees whose sickness spans 6 April 2026 do not suffer a reduction in their SSP.

Speak to us to find out what these changes will mean for your business.

*This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases, so please contact us for personal advice on your own affairs.*