# YEAR-END TAX GUIDE

## 2025/26

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# HOW TO USE THIS GUIDE

As we approach the end of the 2025/26 tax year, it is a valuable moment to review what has changed over the past 12 months and what that means for your tax planning.

Borrowing costs have begun to ease from recent highs, but interest rates remain relatively elevated by historical standards. Inflation has cooled from its peak, although day-to-day expenses remain a concern for many households and a pressure point for cashflow in a lot of businesses. Against that backdrop, it pays to be deliberate about how you earn income, fund investments, and protect your longer-term wealth.

Policy has also continued to shift. Recent Budgets have combined revenue-raising measures with targeted support, and there have been notable changes affecting employers, including higher employer National Insurance and an expanded Employment Allowance from April 2025. For individuals, frozen thresholds and tighter allowances in some areas mean that small decisions can have a larger tax effect than you might expect.

Year-end planning is not only about ticking the compliance box. It is an opportunity to utilise reliefs and allowances fully before they reset on 6 April 2026. That might involve utilising ISA allowances, reviewing pension contributions, planning for capital gains, or taking sensible steps regarding inheritance tax, depending on your circumstances.

This guide is designed as a practical reference. It brings together the main allowances, reliefs, and exemptions, with clear planning points you can act on before the tax year closes. The information reflects the current rules for the 2025/26 period, and the upcoming 2026/27 period, allowing you to make decisions with confidence.

If you would like tailored advice or help implementing any of these actions, please get in touch.

**04** PERSONAL ALLOWANCES AND RELIEFS
Minimising your personal tax bill.

**07** ISAs
Maximising your tax-free savings.

**10** PENSIONS
Saving for your retirement.

**13** INHERITANCE TAX
Reducing your estate's tax burden.

**17** PROPERTY TAXES
Understanding your obligations.

**21** CAPITAL GAINS TAX
Rules, exemptions, and planning opportunities.

**25** BUSINESS ASSET DISPOSAL RELIEF
Reducing capital gains tax when selling your business.

**28** NON-DOMICILED TAX
Understanding your residency and domicile status.

**32** TAX-EFFICIENT STAFF BENEFITS
Maximising employee rewards while saving on tax.

**35** CORPORATION TAX
Understanding rates and planning opportunities.

**38** VAT
Simplifying compliance and saving on VAT.

**42** PENALTIES
The cost of non-compliance.

# PERSONAL ALLOWANCES AND RELIEFS



## MINIMISING YOUR PERSONAL TAX BILL

For the 2026/27 tax year, the standard Personal Allowance is £12,570. In England, Wales and Northern Ireland, Income Tax on non-savings, non-dividend income is charged at 20% (basic rate), 40% (higher rate) and 45% (additional rate). The basic rate band is £37,700, so the higher rate normally starts once taxable income exceeds £37,700, which is £50,270 when you add the Personal Allowance.

If your income is over £100,000, your Personal Allowance is reduced by £1 for every £2 of income above £100,000. This means the allowance is fully withdrawn once income reaches £125,140, creating an effective 60% marginal rate in that band for many people.

Scottish taxpayers pay different rates and bands on non-savings, non-dividend income, so the marginal rates and planning points can look different.

## MARRIAGE ALLOWANCE

If you're married or in a civil partnership, and one partner has income below the Personal Allowance while the other is a basic-rate taxpayer, you may be able to claim Marriage Allowance. This allows the lower-earning partner to transfer £1,260 of their unused Personal Allowance, reducing the other partner's tax bill by up to £252 for the year.

There is also Married Couple's Allowance for couples where at least one spouse or civil partner was born before 6 April 1935. For 2026/27, the maximum allowance is £11,700, and the minimum is £4,530 (the tax relief is given at 10%).

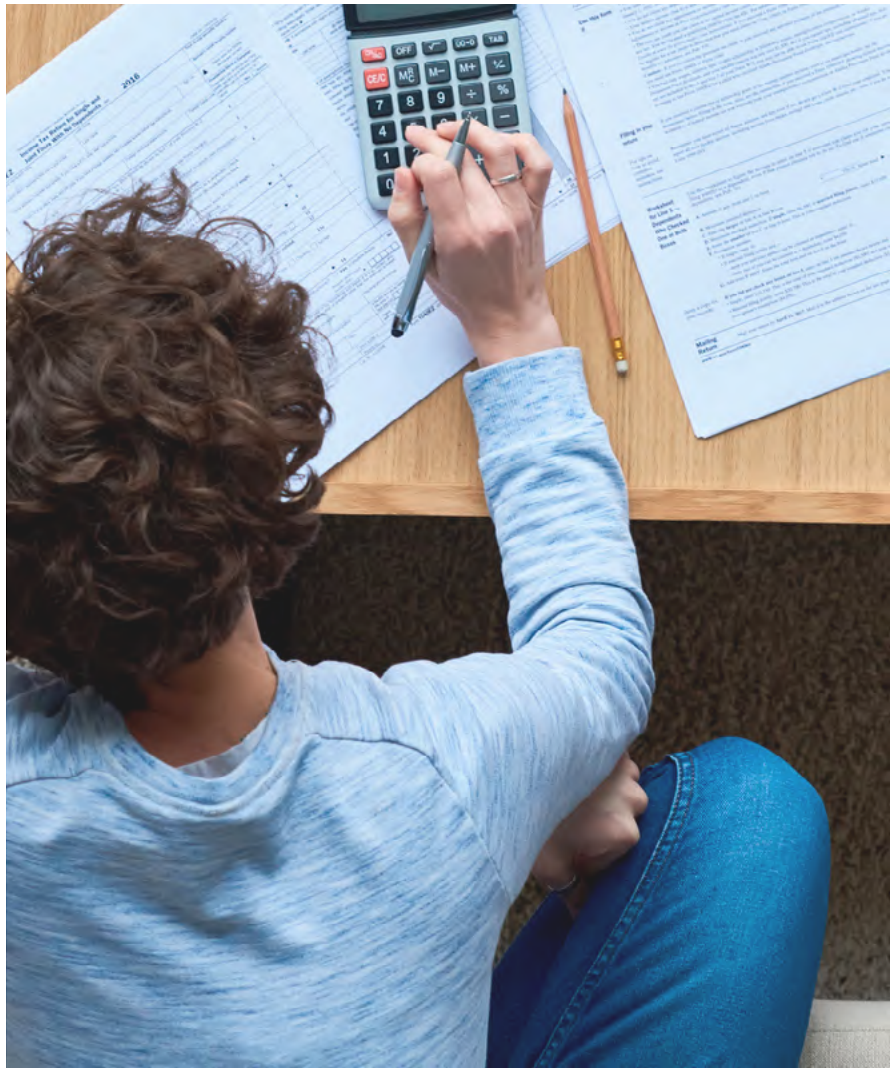
## TAX ON SAVINGS AND DIVIDENDS

- **Personal savings allowance**: Basic-rate taxpayers can earn up to £1,000 of savings interest tax-free, and higher-rate taxpayers up to £500. Additional-rate taxpayers do not receive a Personal Savings Allowance.
- **Dividend allowance and rates**: The Dividend Allowance is £500 for 2026/27. Dividend income above this is taxed at 10.75% (basic rate), 35.75% (higher rate) and 39.35% (additional rate). The basic and higher dividend rates increased from 6 April 2026 (additional rate remains unchanged), which makes dividend planning and timing more important than they were previously.

If you receive savings interest and have low non-savings income, you may also benefit from the 0% starting rate for savings. This can cover up to £5,000 of savings interest in the right circumstances.

## KEY CONSIDERATIONS

- **Use allowances as a household**: Where appropriate, consider how income, savings and investments are held between spouses or civil partners so both Personal Allowances and lower tax bands are used effectively.
- **Manage the £100,000 to £125,140 band**: Pension contributions and Gift Aid donations can reduce adjusted net income. This can help preserve your Personal Allowance and cut the effective 60% marginal rate.
- **Think carefully about dividends in 2026/27**: With higher dividend tax rates now in force, it's worth reviewing dividend levels, profit extraction plans and whether more of your investment return should sit inside tax wrappers such as ISAs or pensions (where suitable).



## DON'T OVERLOOK SMALLER RELIEFS:

- **Trading and property allowances**: You can receive up to £1,000 of trading income and £1,000 of property income tax-free (subject to the rules), which can help where you have small amounts of side income.
- **Rent-a-Room relief**: If you rent out furnished accommodation in your main home, you can earn up to £7,500 tax-free under the Rent-a-Room scheme (the limit is halved if the income is shared).
- **Blind Person's Allowance**: For 2026/27, this is £3,250 and can be transferred to a spouse or civil partner if it cannot be used.

**Higher-risk reliefs**: EIS and SEIS can offer Income Tax relief (30% for EIS and 50% for SEIS) and can be effective in the right circumstances, but they are higher-risk, less liquid investments. Venture Capital Trust (VCT) Income Tax relief is reduced to 20% from 6 April 2026, which may change the balance of what is worthwhile for some investors. Always take advice before using these schemes as part of your tax planning.

By reviewing your allowances and reliefs before 6 April 2026, you can often reduce your overall tax bill, avoid accidental high marginal rates, and put simple, repeatable planning in place for the year ahead.

# ISAs

## MAXIMISING YOUR TAX-FREE SAVINGS

Individual Savings Accounts (ISAs) remain one of the simplest ways to shelter savings and investments from tax. Any interest, dividends and investment growth inside an ISA are generally free from UK Income Tax and Capital Gains Tax.

For the 2026/27 tax year, the overall ISA allowance is £20,000 per adult. You can use this allowance in one ISA or split it across different ISA types, as long as you do not go over the total.

## TYPES OF ISA AND KEY LIMITS

**Cash ISA**
A cash savings account where interest is tax-free. Useful if you want certainty and access, although rates and withdrawal rules vary by provider.

**Stocks and shares ISA**
Holds investments such as funds, shares and bonds. Growth and dividends are tax-free, but values can fall as well as rise.

**Innovative finance ISA**
Covers certain peer-to-peer and crowdfunding-style investments. Returns are tax-free, but risk levels can be higher, and access can be more limited.

**Lifetime ISA (LISA)**

Designed for first-time buyers and retirement savings. You can contribute up to £4,000 a year and receive a 25% government bonus (up to £1,000 a year). You must be aged 18 to 39 to open one, and you can contribute until age 50. LISAs count towards the £20,000 overall ISA allowance. Withdrawals for anything other than an eligible first home purchase or after age 60 typically incur a 25% charge, which can result in a loss of more than the bonus.

**Junior ISA**

A Junior ISA allows savings for a child under 18, with tax-free interest or investment growth. The Junior ISA allowance for 2026/27 is £9,000 per child, and it sits outside the parents' own ISA allowances. Money is locked in until the child turns 18, when the account converts to an adult ISA in their name.

## KEY CONSIDERATIONS

- **Use it or lose it**: ISA allowances do not roll forward. If you do not use your 2026/27 allowance by 5 April 2027, it is gone.
- **You can spread contributions across providers**: You can pay into more than one ISA of the same type in the same tax year, as long as your total subscriptions stay within the overall limit. The main exception is the Lifetime ISA, where you can only pay into one LISA in a tax year.
- **Think as a household**: If you have used your allowance, check whether your spouse or civil partner has unused allowance. This can be an easy way to build up tax-free savings as a couple.
- **Make transfers part of your plan**: If you already hold savings or investments outside an ISA, an ISA transfer can help bring them under the tax-free wrapper without using up a new year's allowance incorrectly. For investors, a "bed and ISA" approach can also be useful where capital gains and dividend tax are a concern.
- **First-time buyers**: A LISA can be a strong option if you meet the criteria and plan to buy an eligible first home. The withdrawal rules are strict, so it is essential to be clear on timescales and how flexible you need the money to be.

## LOOKING AHEAD

From 6 April 2027, the government has announced a change to Cash ISAs: investors under 65 will be limited to £12,000 a year into a Cash ISA, within the overall £20,000 ISA allowance. Those aged 65 and over will retain a £20,000 Cash ISA limit. If you think you will want a larger cash ISA balance under the current rules, 2026/27 is the final tax year to use the full allowance for cash before that change takes effect.

> *You can pay into more than one ISA of the same type in the same tax year, as long as your total subscriptions stay within the overall limit.*

# PENSIONS



## SAVING FOR YOUR RETIREMENT

Pensions remain one of the most effective year-end planning tools. Contributions can attract tax relief, which reduces the real cost of saving, and they help you build a long-term retirement provision. For the 2026/27 tax year, the standard annual allowance is £60,000. This covers total pension saving across all schemes, including contributions from you, your employer, and anyone else paying in on your behalf.

## TAPERED ANNUAL ALLOWANCE FOR HIGHER EARNERS

If you have a threshold income over £200,000 and an adjusted income over £260,000, your annual allowance can be reduced. The reduction is £1 for every £2 of adjusted income above £260,000, down to a minimum allowance of £10,000.

## CARRY FORWARD

If you were a member of a pension scheme in earlier years, you can usually carry forward unused annual allowance from the previous three tax years. For 2026/27, that means you can use unused allowance from 2023/24, 2024/25 and 2025/26, on top of your 2026/27 allowance. Carry forward can be valuable if you have had a one-off increase in income or profits and want to make a larger contribution.

## TAX RELIEF, AND CLAIMING THE EXTRA RELIEF

Personal contributions typically qualify for tax relief up to the higher of 100% of your relevant UK earnings or £3,600 gross each year. Depending on how the scheme operates, tax relief may be given automatically. If you pay tax at higher or additional rates, you may be entitled to further relief, often claimed through Self Assessment or by updating your tax code.

Employer contributions can be exceptionally efficient, especially when made as part of a remuneration package, as they do not count as personal income and can reduce the need for higher personal drawings.

## TAX-FREE CASH AND LIFETIME ALLOWANCE CHANGES

The lifetime allowance charge has been removed, but there are still limits on tax-free lump sums. In most cases, you can take up to 25% of your pension as tax-free cash, capped by the lump sum allowance of £268,275. There is also a lump sum and death benefit allowance of £1,073,100 that applies to certain tax-free lump sums, including specific death benefits and payments for serious ill health. If you have protection, different limits may apply, so it is worth checking before taking benefits.

## ACCESSING YOUR PENSION AND THE MPAA

If you access defined contribution pensions flexibly, you can trigger the money purchase annual allowance (MPAA), which limits future defined contribution savings to £10,000 a year, and removes the ability to use carry forward for those contributions. This is a common trap for people who take a taxable drawdown while still planning to keep paying in.

Pensions can be accessed from age 55 under current rules. However, the normal minimum pension age is scheduled to rise to 57 from April 2028 for many people, subject to certain protections.

## IMPORTANT DEADLINES

To count for the 2026/27 tax year, personal contributions must be received by your pension provider by 5 April 2027. Providers often set their own cut-off dates in the final weeks of the tax year, particularly for bank transfers and direct debits, so it is advisable to check early.

For businesses, employer contributions typically need to be paid by the company's accounting year-end if you want the corporation tax deduction in that accounting period.

By reviewing pension contributions before the year-end, you can reduce your tax bill, avoid accidental high marginal rates, and strengthen longer term retirement planning in one move.

> *The lifetime allowance charge has been removed, but there are still limits on tax-free lump sums.*

# INHERITANCE TAX

## REDUCING YOUR ESTATE'S TAX BURDEN

Inheritance tax is usually charged at 40% on the value of your estate above the nil-rate band. For the 2026/27 tax year, the nil-rate band is £325,000. If you leave a qualifying home to direct descendants, you may also be able to claim the residence nil-rate band of £175,000. In many cases, this means an IHT-free threshold of up to £500,000 per person, or up to £1 million for married couples and civil partners when unused allowances are transferred to the surviving spouse or partner.

The residence nil-rate band starts to reduce once an estate is worth more than £2 million. It tapers away by £1 for every £2 over that level. If your estate is likely to be close to, or above, £2 million, small changes in how assets are held and gifted can have a big impact.

## GIFTS AND THE SEVEN-YEAR RULE

Many lifetime gifts fall outside IHT if you live for seven years after making them. If you die within seven years, some gifts may be brought back into the calculation. Where IHT is due on those gifts, taper relief can reduce the tax on gifts made more than three years before death.

It is also important to remember that some gifts are not effective for IHT if you continue to benefit from the asset, for example, giving away a property but still living there rent-free. These arrangements need careful handling.

## KEY PLANNING POINTS

Make use of available exemptions where they fit your circumstances:

- **Annual exemption**: you can give away £3,000 each tax year, and you can carry forward any unused amount from the previous tax year only
- **Small gifts**: up to £250 per person, per tax year, as long as that person has not also used another exemption from you in the same year
- **Wedding and civil partnership gifts**: up to £5,000 to a child, £2,500 to a grandchild or great-grandchild, and £1,000 to anyone else
- **Gifts out of surplus income**: regular gifts that are genuinely made from surplus income and do not reduce your standard of living can be exempt, but good records matter

Spouse and civil partner transfers are generally exempt from IHT, and gifts to charities are usually exempt. If 10% or more of your net estate is left to charity, the IHT rate on the rest of the estate can be reduced from 40% to 36%.

Trusts can be useful in the right situations, particularly where you want to retain some control or protect beneficiaries, but they come with their own tax rules and reporting, so they need advice.

## BUSINESS AND AGRICULTURAL RELIEFS

Reliefs on business and agricultural assets can still reduce IHT significantly, but the rules tighten from 6 April 2026. From that point, 100% relief is limited to a combined allowance of £2.5 million of qualifying business and agricultural assets per person. Any excess value generally receives 50% relief, which can translate into an effective IHT rate of 20% on the excess. For couples, the allowance can be up to £5 million, which can be transferred between spouses or civil partners.

If your estate includes a farm, a trading business, or shares that you expect to rely on for relief, it is worth reviewing the position early, including how ownership is structured and what values may sit above the new cap.

## INTERNATIONAL CONSIDERATIONS

Since April 2025, IHT has moved to a residence-based approach for overseas assets. If you are classed as a long-term UK resident, overseas assets can fall within the IHT net. This status can apply if you have been a UK tax resident for 10 consecutive years, or for at least 10 years out of the previous 20. There can also be a tail after you leave the UK. If you have international assets or expect to move in or out of the UK, take advice early, as planning windows can be limited.

## LOOKING AHEAD

From 6 April 2027, most unused pension funds and certain pension death benefits are expected to be brought into the value of a person's estate for IHT purposes. If your current estate plan assumes pensions sit outside IHT, it may need revisiting well before that change takes effect.

With IHT thresholds remaining fixed for now, the practical focus is usually on getting the basics right, keeping records for gifts, and making sure your will, asset ownership, and beneficiary choices all point in the same direction. If you would like help reviewing your position, we can talk through the options and what is realistic for your family.

# PROPERTY TAXES

## UNDERSTANDING YOUR OBLIGATIONS

Property taxes can apply when you buy, sell, let, or transfer property. The rules also vary across the UK, so it is advisable to check which system applies before committing to a transaction.

## STAMP DUTY LAND TAX, ENGLAND AND NORTHERN IRELAND

SDLT is payable on residential purchases above £125,000, based on the portion of the price that falls within each band.

**Residential SDLT rates:**

- **£0 to £125,000**: 0%
- **£125,001 to £250,000**: 2%
- **£250,001 to £925,000**: 5%
- **£925,001 to £1.5 million**: 10%
- **Over £1.5 million**: 12%

If you are buying an additional residential property, for example, a buy-to-let or a second home, you generally pay a higher rate. For most buyers, this is an extra 5% on top of the standard residential rates.

If you are not a UK resident for SDLT purposes, there is usually an additional 2% surcharge, which applies on top of any other SDLT due.

First-time buyer relief can reduce SDLT if the purchase qualifies: No SDLT up to £300,000, and 5% on the portion from £300,001 to £500,000.

If the price is over £500,000, first-time buyer relief is not available, and standard rates apply.

## LAND AND BUILDINGS TRANSACTION TAX, SCOTLAND

In Scotland, LBTT applies to residential purchases above £145,000.

**Residential LBTT rates:**

- **£0-£145,000**: 0%
- **£145,001-£250,000**: 2%
- **£250,001-£325,000**: 5%
- **£325,001-£750,000**: 10%
- **Over £750,000**: 12%

First-time buyer relief can increase the nil-rate band to £175,000, reducing LBTT for qualifying first-time buyers.

If you buy an additional dwelling in Scotland, an Additional Dwelling Supplement is likely to apply. The ADS rate is 8% and is charged on the full purchase price, in addition to any LBTT due, subject to the detailed rules and reliefs. ADS is only considered where the new property purchase price exceeds £40,000.

## LAND TRANSACTION TAX, WALES

In Wales, LTT applies to residential purchases above £225,000 for main residential rates, based on the portion of the price in each band.

**Main residential LTT rates:**

- **£0-£225,000**: 0%
- **£225,001-£400,000**: 6%
- **£400,001-£750,000**: 7.5%
- **£750,001-£1.5 million**: 10%
- **Over £1.5 million**: 12%

Higher residential rates can apply if you already own another residential property and you are not replacing your main home.

**Higher residential LTT rates are:**

- **£0 to £180,000**: 5%
- **£180,001 to £250,000**: 8.5%
- **£250,001 to £400,000**: 10%
- **£400,001 to £750,000**: 12.5%
- **£750,001 to £1.5 million**: 15%
- **Over £1.5 million**: 17%

## SELLING OR GIFTING PROPERTY

If you sell a UK residential property that is not your main home, Capital Gains Tax may apply. If CGT is due on a residential property sale, it is usually reported and paid within 60 days of completion.

Gifting property can also trigger CGT, even if no money changes hands, because the gain is typically calculated using market value rules. Separately, gifts may have inheritance tax implications depending on timing and circumstances.

## DEADLINES AND ADMIN

These taxes are time-sensitive. SDLT returns and payments are generally due within 14 days of the effective date, which is usually completion. In Scotland and Wales, LBTT and LTT are generally due within 30 days of the day after the effective date. Most people will handle this through their solicitor or conveyancer; however, the legal responsibility ultimately rests with the buyer.

## KEY CONSIDERATIONS

- **First-time buyer relief**: Check eligibility early, especially where buyers are purchasing together.
- **Additional property rules**: Higher rates can materially increase the upfront cost of buying, which can change the viability of a buy-to-let or second home purchase.
- **Regional differences**: SDLT, LBTT and LTT work differently, and the rates and bands are not interchangeable.
- **Timing**: If a transaction is close to a rule change, the relevant date and the contract terms can affect the rate that applies.
- **Wider tax planning**: Buying, holding, and selling property can bring Income Tax, CGT and IHT into play, so it is worth looking at the full picture, not just the purchase tax.

If you are planning a property purchase, disposal, or transfer and want to understand the tax implications before committing, we can help you work through the numbers and practical steps.

# CAPITAL GAINS TAX



## RULES, EXEMPTIONS, AND PLANNING OPPORTUNITIES

Capital Gains Tax (CGT) can apply when you sell, give away, exchange, or otherwise dispose of an asset that has increased in value. Common examples include shares and investments held outside an ISA, buy-to-let property, second homes, and business assets. CGT is charged on the gain, not the sale proceeds, and allowable costs such as acquisition costs and certain professional fees can usually be deducted.

With the annual exemption now relatively low and CGT rates higher than they used to be, planning ahead has become more important for anyone expecting to realise gains.

## KEY FIGURES FOR 2026/27

- **Annual exempt amount**: £3,000 per individual. Married couples and civil partners can each use their own exemption, giving a combined £6,000 if both have gains. Unused exemptions cannot be carried forward.
- **CGT rates for most gains**: If your taxable income and gains fall within the basic rate band, CGT is charged at 18% on the portion within that band. Gains above the basic rate band are charged at 24%. These rates apply to most chargeable gains, including residential property, in 2026/27.
- **Trusts and estates**: Most trustees and personal representatives generally pay CGT at 24%. Most trusts also have a lower annual exempt amount of £1,500.

> *Married couples and civil partners can each use their own exemption, giving a combined £6,000 if both have gains.*

## KEY CONSIDERATIONS

- **Use your annual exemption**: If you are planning disposals, consider timing. Spreading sales across tax years can help you use more than one annual exemption.
- **Spousal and partner planning**: Transfers between spouses and civil partners are usually no gain, no loss for CGT. This can allow you to share gains between you and make better use of both annual exemptions and lower rate bands, before selling to a third party.
- **Offsetting losses:** Capital losses can usually be offset against gains in the same tax year. If losses exceed gains, the unused amount can normally be carried forward to future years, as long as losses are properly reported.
- **Main residence relief**: Selling your main home is often covered by private residence relief, but it is not automatic in all situations. Periods of letting, moving between properties, or owning more than one home can reduce the relief. If you have more than one property that could be treated as a main home, an election may be available, but it is time-sensitive.
- **Gifting assets**: Gifting an asset can trigger CGT using market value, even if no money changes hands. This is a common surprise where property or shares are transferred to adult children. Some gifts, particularly into certain trusts, may qualify for hold-over relief, but this is technical and needs advice.
- **Deferring or rolling over gains**: Some reliefs allow gains to be deferred, rolled over, or held over, depending on the asset and circumstances. Examples include reinvesting qualifying gains through EIS or SEIS deferral relief, and rolling over gains where proceeds are reinvested into certain qualifying business assets.
- **Business disposals**: If you are selling a business, shares in your trading company, or qualifying business assets, business asset disposal relief may reduce the CGT rate, subject to the rules. From 6 April 2026, the rate for business asset disposal relief is 18%. There are also lifetime limits and qualifying conditions, so it is worth checking eligibility early, especially if a sale is being negotiated.

## IMPORTANT DEADLINES

- **UK residential property disposals**: If you sell a UK residential property and CGT is due, you usually need to report and pay it within 60 days of completion. This typically applies to second homes and buy-to-let property, and can also apply to some mixed-use property.
- **Other disposals**: For most other assets, CGT is usually dealt with through Self Assessment, with tax paid by 31 January after the end of the tax year.

If you are planning a disposal, or you have already sold an asset and want to confirm the reporting and payment position, we can help you work through the figures and the steps to take.

# BUSINESS ASSET DISPOSAL RELIEF



## REDUCING CAPITAL GAINS TAX WHEN SELLING YOUR BUSINESS

Business asset disposal relief (BADR), previously known as entrepreneurs' relief, can reduce the rate of Capital Gains Tax (CGT) on certain business disposals. For the 2026/27 tax year, the BADR CGT rate is 18%, instead of the standard CGT rates that often apply to gains.

BADR is available on qualifying gains up to a lifetime limit of £1 million. Any gains above the limit are taxed at the standard CGT rates.

## WHEN BADR CAN APPLY

BADR can apply to disposals such as:

- Selling all or part of a sole trade or partnership business
- Selling shares in your personal company
- Disposing of business assets when you are closing a business

## ELIGIBILITY CRITERIA

The rules depend on what you are selling, but the most common conditions are:

**Sole traders and partners**: You must dispose of all or part of your business, and the business must be a trading business rather than mainly an investment activity. You normally need to have owned the business for at least two years ending with the date of disposal.

**Shares in a company**: The company must be a trading company or the holding company of a trading group. You must usually meet the "personal company" test for at least two years up to the disposal date, including:

- At least 5% of ordinary share capital and at least 5% of voting rights
- At least 5% entitlement to profits available for distribution and assets on a winding up, or at least 5% of disposal proceeds if the company is sold
- You must be an officer or employee of the company, or of a company in the same group

**EMI shares**: Special rules can apply to shares acquired under an Enterprise Management Incentive scheme. The 5% tests are not required, but other conditions apply, including holding the shares for at least two years from the date the EMI option was granted.

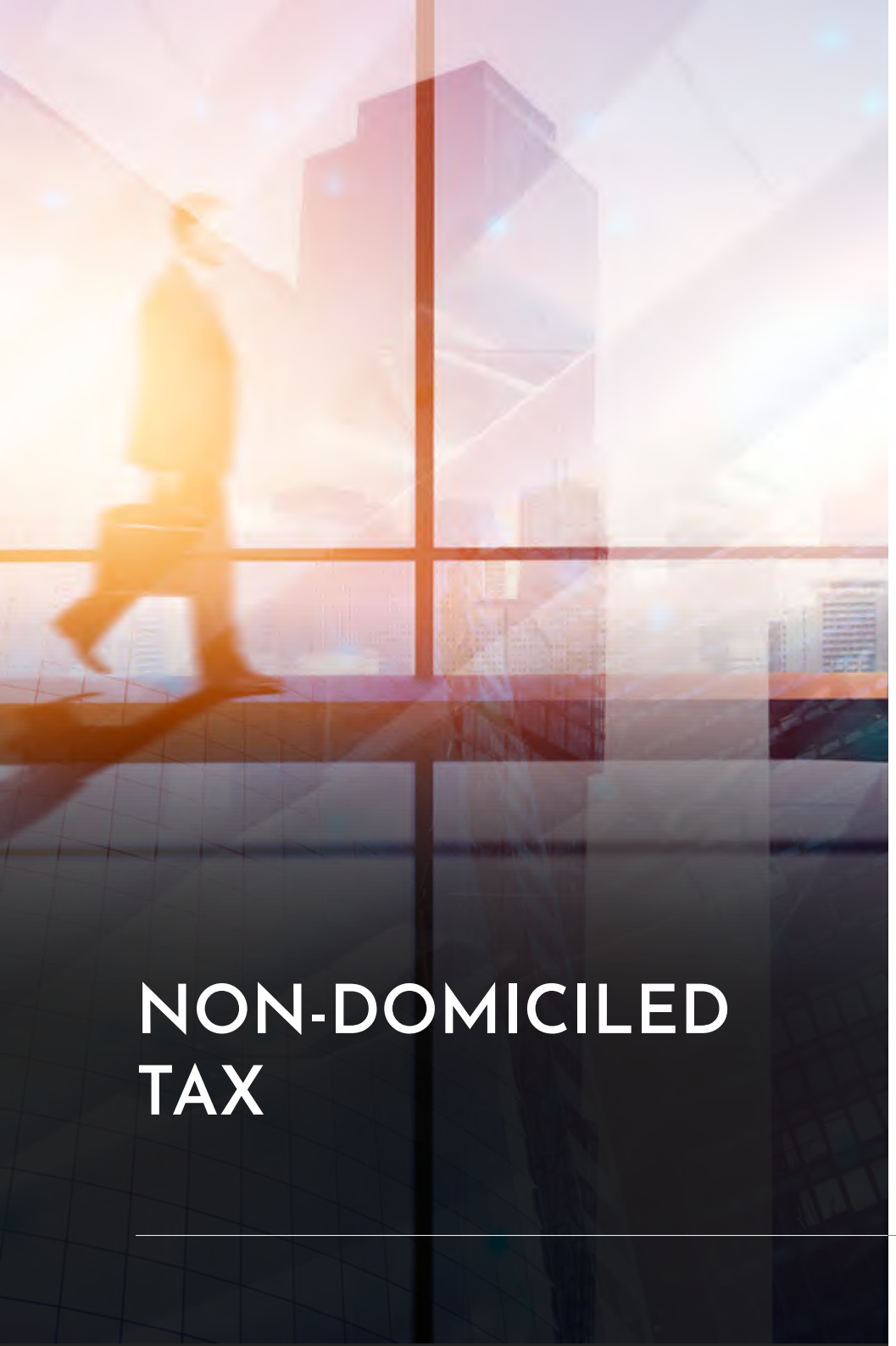
## KEY CONSIDERATIONS

- **Check the two-year clock early**: BADR often fails because the two-year qualifying period is not met, particularly after reorganisations, share issues, dilution, or changes in trading status.
- **Review share rights, not just share percentage**: Some shareholders have 5% of shares but do not meet the 5% tests on profits, assets, or proceeds. This also needs checking.
- **Cessation and asset disposals**: If you are closing a business, BADR can apply to certain business asset disposals, but the timing matters. In many cases, the disposal needs to be within three years of the business stopping.
- **Know your lifetime limit position**: If you have claimed BADR before, check what portion of the £1 million lifetime limit you have already used.
- **Deal structure can change the outcome**: The tax treatment can differ depending on whether you sell shares, sell business assets, or sell a mixture. Earn-outs, deferred consideration, and retained assets can also affect the CGT position and the timing of the gain.

## CLAIM DEADLINE

BADR is not automatic; you need to claim it. For disposals made in the 2026/27 tax year, the usual deadline to claim is 31 January 2029.

If you are considering a sale, it is worth reviewing BADR eligibility well before you reach heads of terms. Small changes to timings, roles, and share rights can make a material difference to the tax outcome.



# NON-DOMICILED TAX



## UNDERSTANDING YOUR RESIDENCY STATUS

From 6 April 2025, the UK moved away from the old “non-dom” approach for Income Tax and Capital Gains Tax. For the 2026/27 tax year, the key question is no longer domicile. Instead, your UK tax position is driven mainly by your residence status and whether you qualify for one of the new regimes.

## THE 4-YEAR FOREIGN INCOME AND GAINS REGIME

If you become a UK tax resident after at least 10 consecutive tax years of non-UK residence, you may be able to claim the 4-year foreign income and gains regime. If you qualify and make a claim, eligible foreign income and gains arising in that tax year are not subject to UK tax. This applies regardless of whether the money is brought to the UK.

There are a few practical points worth flagging:

- **Claim required**: You must claim the relief through Self Assessment for each tax year you want it to apply. You can choose which sources of foreign income and gains to claim for, rather than claiming for everything.
- **Limited window**: The relief is available for up to four tax years, starting from the tax year you first become a UK resident. If you became a UK resident before 6 April 2025, you may only have had access to the regime for the remaining years of your original four-year period.

> *The relief is available for up to four tax years, starting from the tax year you first become a UK resident*

- **Allowances you may lose**: If you claim under the regime, you lose your Income Tax personal allowances and your Capital Gains Tax annual exempt amount for that tax year. You also lose certain other allowances if you are otherwise eligible, including Marriage Allowance, Married Couple's Allowance and Blind Person's Allowance.

  Once you are outside the four-year period, the general position is that UK residents are taxed on worldwide income and gains as they arise.

## OVERSEAS WORKDAY RELIEF FOR GLOBALLY MOBILE EMPLOYEES

Overseas Workday Relief (OWR) remains available, but it now sits within the new residence-based framework. Broadly, qualifying new residents can claim relief on employment income that relates to overseas duties performed during a qualifying year.

For many people, the most important changes are:

- **Eligibility**: It is tied to being a qualifying new resident, which generally means a UK resident after 10 consecutive tax years of non-UK residence.
- **Duration**: It can apply for up to four tax years.
- **No need to keep income offshore**: Relief can apply whether income is paid to a UK or overseas account, and bringing it to the UK does not automatically trigger a tax charge.
- **Annual cap**: Relief is limited each qualifying year to the lower of 30% of qualifying employment income or £300,000.

OWR is technical, particularly where split-year treatment applies, where remuneration is paid after the year the duties were performed, or where there are equity awards and bonuses.

## TEMPORARY REPATRIATION FACILITY

The Temporary Repatriation Facility (TRF) can be relevant in 2026/27 for individuals who previously used the remittance basis and have pre-6 April 2025 foreign income and gains sitting offshore.

The TRF provides a time-limited route to bring those funds to the UK at a reduced tax rate, rather than the rates that would otherwise apply. The reduced rate is 12% in 2026/27, subject to making a TRF election and meeting the designation and reporting rules.

## INHERITANCE TAX CHANGES FOR INTERNATIONAL FAMILIES

Inheritance Tax has also moved to a residence-based approach for overseas assets from 6 April 2025. In broad terms, non-UK assets can fall within UK IHT once someone is classed as a long-term UK resident, and there can be a tail after leaving the UK. This makes long-term planning particularly important for anyone with assets or family connections in more than one country.

## ACTION POINTS

- **Check eligibility early**: If you are arriving in the UK, or you arrived recently, confirm whether you meet the 10-year non-residence test and how many years of the four-year period remain.
- **Model the trade-offs**: The 4-year regime can be very valuable, but losing personal allowances and the CGT annual exempt amount can change the maths, especially where UK income is already significant.
- **Review structures and reporting**: Offshore trusts, mixed funds, and historic remittance planning can create unexpected outcomes under the new rules. Getting the reporting right matters as much as the tax planning.
- **Plan remittances deliberately**: If TRF is relevant, consider what you might want to bring to the UK during 2026/27 and how that fits with other taxable income and gains.

If you think any of these changes apply to you, we would recommend a targeted review. The new rules reward early planning, and they can be expensive to correct after the fact.

# TAX-EFFICIENT STAFF BENEFITS

## MAXIMISING EMPLOYEE REWARDS WHILE MANAGING TAX

Well-chosen benefits can help you reward staff without pushing up Income Tax and National Insurance unnecessarily. The key is to stick to benefits that are exempt or structured in a way that keeps the tax treatment clear.

## HOMEWORKING EXPENSES AND EQUIPMENT

From 6 April 2026, employees can no longer claim a tax deduction directly from HMRC for working-from-home expenses. If you want to support homeworking in 2026/27, the practical route is through employer reimbursement or provision.

- **Homeworking expenses:** You can reimburse reasonable additional household costs tax-free where the employee is required to work from home. You can pay up to £6 per week, or £26 per month, without needing evidence. If you reimburse more than that, you should be able to show that the payments do not exceed the employee's additional costs.
- **Homeworking equipment**: From 6 April 2026, the tax and National Insurance exemption covers both direct provision and reimbursement of qualifying homeworking equipment costs, where the conditions are met.

## MOBILE PHONES

**Mobile phones:** Providing one mobile phone or SIM per employee is generally tax-free, as long as the contract is between the employer and the supplier. If the employee is the contract holder and you reimburse the bill, it is usually treated as taxable pay.

## ELECTRIC CARS AND CHARGING

Company cars can be a tax-efficient benefit when the Benefit in Kind percentage is low.

- **Fully electric company cars**: For 2026/27, the Benefit in Kind rate for zero-emission cars is 4%. This is scheduled to rise again in 2027/28, so it is worth factoring in the direction of travel when you set a long-term car policy.
- **Plug-in hybrids**: These are banded by CO2 emissions and electric range. Rates are usually higher than those of fully electric cars, and it is worth checking the specific band before you commit to a model.
- **Charging**: Workplace charging provided to employees is normally a tax-free benefit. The treatment of home charging costs can vary depending on how it is provided and evidenced.

## SALARY SACRIFICE SCHEMES

Salary sacrifice can still be effective, but the tax advantages are not available for every benefit.

- **Works well for**: pension contributions, cycle to work, and ultra-low emission cars (including electric cars). These can reduce Income Tax and employee National Insurance, and can also reduce employer National Insurance.
- **Watch-outs**: salary sacrifice can affect statutory pay and some borrowing calculations, and it can create unexpected outcomes if you offer benefits that do not qualify for favourable treatment under the optional remuneration rules.

## TRIVIAL BENEFITS

- **Trivial benefits:** Small, non-cash benefits can be tax-free if each item is no more than £50, it is not performance-related, and it is not part of the employment contract. Cash and cash-convertible vouchers do not qualify.
- **Close company directors**: Directors of close companies have an additional restriction, the total value of trivial benefits cannot exceed £300 in a tax year.

## HEALTH AND WELFARE BENEFITS

From 6 April 2026, the exemptions for certain workplace benefits extend to cover reimbursements as well as direct provision, where the conditions are met.

- **Eye tests and corrective appliances**: Reimbursed costs can be exempt, not just employer-provided tests and appliances.
- **Flu vaccinations**: Employer-provided or reimbursed flu vaccinations can be exempt, but the exemption does not apply if provided through salary sacrifice arrangements.

## A SIMPLE, HIGH-VALUE EXTRA

- **Annual staff functions**: An annual party or similar event can be tax-free up to £150 per head, as long as the conditions are met.

If you want to tighten your benefits package, a quick review usually identifies which benefits are genuinely tax-efficient, which ones create avoidable reporting, and where salary sacrifice can reduce costs for both sides.

*From 6 April 2026, the exemptions for certain workplace benefits extend to cover reimbursements as well as direct provision, where the conditions are met*

# CORPORATION TAX



## UNDERSTANDING RATES AND PLANNING OPPORTUNITIES

Corporation tax remains a core planning point for UK companies, not only because of the headline rate, but because profit levels, group structure, and timing decisions can change the effective tax cost.

## CORPORATION TAX RATES

For the financial year 1 April 2026 to 31 March 2027, the rate structure is:

- **Main rate**: 25%, for companies with profits over £250,000.
- **Small profits rate**: 19%, for companies with profits of £50,000 or less.
- **Marginal relief**: available where profits fall between £50,001 and £250,000, which tapers the effective rate between 19% and 25%.

The profit thresholds are reduced if your company has associated companies or if your accounting period is shorter than 12 months. This is often missed, and it can move a company into a higher effective rate earlier than expected.

## PAYMENT DEADLINES

- **Small companies**: Corporation tax is generally due 9 months and 1 day after the end of the accounting period.
- **Large companies**: If annual taxable profits exceed £1.5 million, corporation tax is normally paid in quarterly instalments.
- **Very large companies**: If annual taxable profits exceed £20 million, instalment payments are due earlier.

For groups and for companies with associated companies, the instalment thresholds are divided by the number of associated companies plus one, and then adjusted for short accounting periods. That can bring quarterly payments into scope even where headline profits do not look particularly “large”.

## KEY DEDUCTIONS AND RELIEFS

**Business expenses**: Deductible expenses must be incurred wholly and exclusively for the purposes of the trade. Common examples include salaries, rent, utilities, marketing, and professional fees. Where there is personal benefit, the tax treatment often changes, so it is worth reviewing mixed-use costs carefully.

**Capital allowances**: Relief for capital expenditure depends on the asset type and how it is used. Key allowances include:

- Annual Investment Allowance (AIA), providing 100% relief on qualifying plant and machinery up to £1 million a year
- Full expensing, allowing many companies to claim 100% relief on qualifying new main rate plant and machinery
- First-year allowances, which can apply in specific situations where full expensing is not available, including the newer 40% first-year allowance for main rate plant and machinery that can be relevant for leased assets and unincorporated businesses

Capital allowances are one of the most practical ways to reduce taxable profits, but the rules can be restrictive for cars, leased assets, and certain building-related costs, so it is worth checking eligibility before you buy.

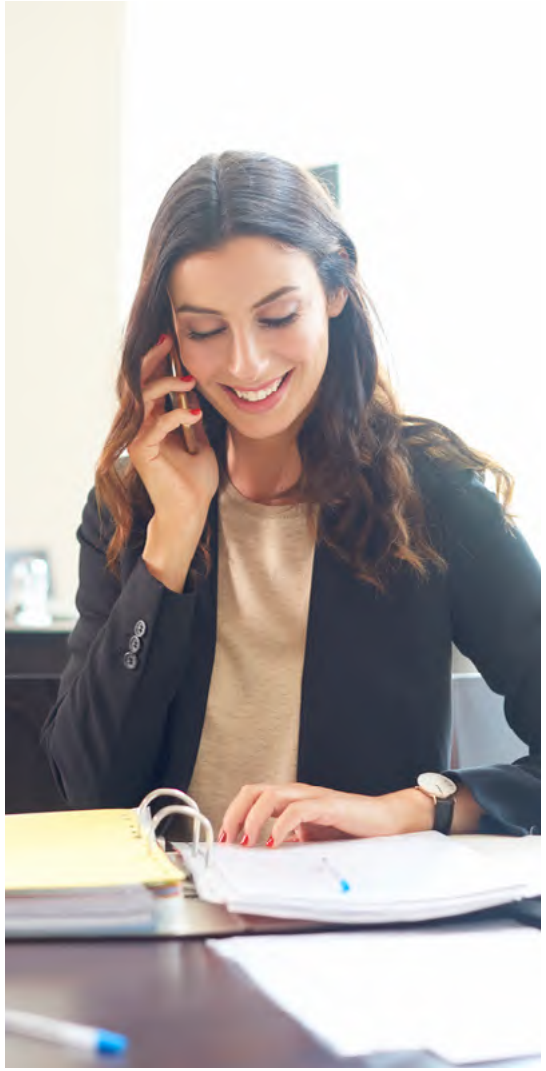
- **Research and development (R&D) tax relief**: For accounting periods beginning on or after 1 April 2024, most companies claim under the merged R&D expenditure credit regime. The credit rate is 20% and it is taxable, so the net benefit depends on your corporation tax rate position. Loss-making R&D intensive SMEs may qualify for enhanced R&D intensive support, which can provide an additional deduction and a payable credit, subject to strict conditions.

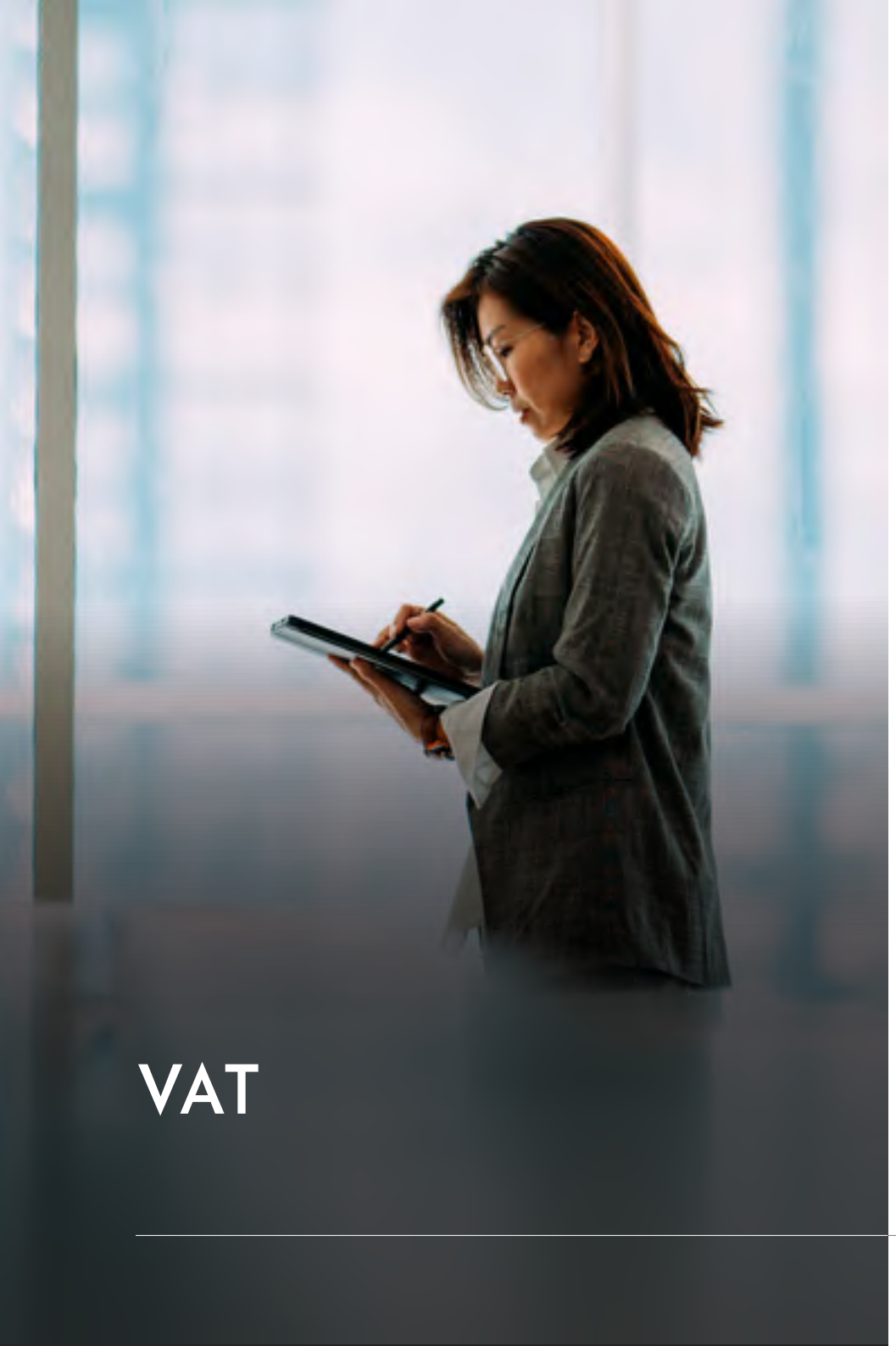
- **Patent box**: Profits from patented inventions and certain qualifying IP can benefit from a reduced corporation tax rate of 10%, subject to the detailed rules.
- **Loss relief**: Trading losses can usually be carried forward and used against future profits. Losses can also be carried back in certain cases. Where profits are above the profits allowance level, there can be restrictions on how much profit can be sheltered by brought-forward losses in a single year, which can affect cash planning.

## KEY CONSIDERATIONS

- **Profit extraction**: Review the mix of salary, dividends and benefits, and ensure it aligns with both tax efficiency and personal cash needs.
- **Director's bonuses**: If you plan to pay a bonus and want a corporation tax deduction in the current period, it usually needs to be accrued in the accounts and paid within 9 months of the year-end.
- **Pension contributions**: Employer contributions are typically deductible, but timing matters; contributions normally need to be paid by the company's year-end to secure relief in that accounting period.
- **Associated companies**: Monitor the impact on small profits thresholds, marginal relief, and instalment payments. Groups and common control arrangements often trigger associated company rules.
- **Investment timing**: Where you are planning significant spend, check whether it is better to accelerate or defer expenditure around your year-end, based on expected profits, available allowances, and cashflow.

Corporation tax planning works best when it is tied to forecasting, not just year-end tidy-up. If you want help sense-checking profits, reliefs, and payment dates, we can review your position and set out practical next steps.





# VAT



## SIMPLIFYING COMPLIANCE AND SAVING ON VAT

VAT affects pricing, cashflow, and admin. If you are VAT registered, small process gaps can lead to missed claims, avoidable penalties, or reporting errors.

## VAT REGISTRATION THRESHOLDS

**For 2026/27:**

- **Registration threshold**: You must register if your VAT taxable turnover exceeds £90,000 in any rolling 12-month period, or if you expect it to exceed £90,000 in the next 30 days alone.
- **Deregistration threshold**: You can apply to deregister if your taxable turnover falls below £88,000 over the next 12 months.

  Voluntary registration can still make sense where you have significant input VAT to reclaim, you sell mainly to VAT-registered customers, or you want to avoid being pushed into registration unexpectedly.

## VAT RATES

- **Standard rate**: 20% (most goods and services).
- **Reduced rate**: 5% (limited categories, including some domestic energy and specific supplies).
- **Zero rate**: 0% (for example, most cold food, children's clothing, books).

Exempt and outside-the-scope supplies sit outside VAT charging, but this often restricts input VAT recovery, so it is worth checking the details before assuming VAT is a neutral cost.

## MAKING TAX DIGITAL FOR VAT

All VAT-registered businesses are required to maintain digital records and submit VAT returns using compatible software. This applies regardless of turnover.

- **Late submission penalties**: VAT uses a points-based system. Each late return adds a point, and once you reach the points threshold, HMRC charges a £200 penalty. Further late submissions can trigger additional £200 penalties.
- **Late payment penalties and interest**: If VAT is paid late, the penalty structure escalates quickly. There is no late payment penalty if you pay within 15 days, but penalties can apply after that, and HMRC also charges late payment interest from day one. The interest rate can change during the year.

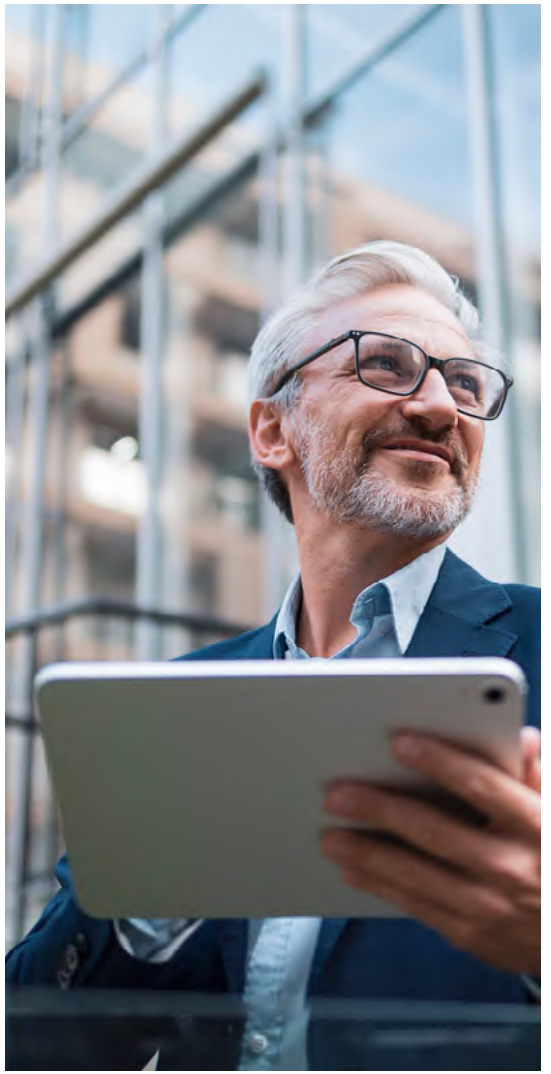
## VAT SCHEMES

Depending on your turnover and how your business operates, a scheme can simplify administration, improve cashflow, or both.

- **Flat Rate Scheme**: Available if your VAT taxable turnover is £150,000 or less, excluding VAT. It can simplify reporting, but you usually cannot reclaim input VAT, except for certain capital assets over £2,000. You generally have to leave if your VAT-inclusive turnover exceeds £230,000.
- **Cash Accounting Scheme**: Available if your VAT taxable turnover is £1.35 million or less. VAT is accounted for when you are paid, and reclaimed when you pay suppliers, which can help cashflow. You generally leave if taxable turnover exceeds £1.6 million.
- **Annual Accounting Scheme**: Available if your VAT taxable turnover is £1.35 million or less. You submit one VAT return per year, with payments on account made throughout the year. It can suit stable businesses, but it is not ideal if you regularly reclaim VAT, as refunds are less frequent.

## COMMON PLANNING POINTS

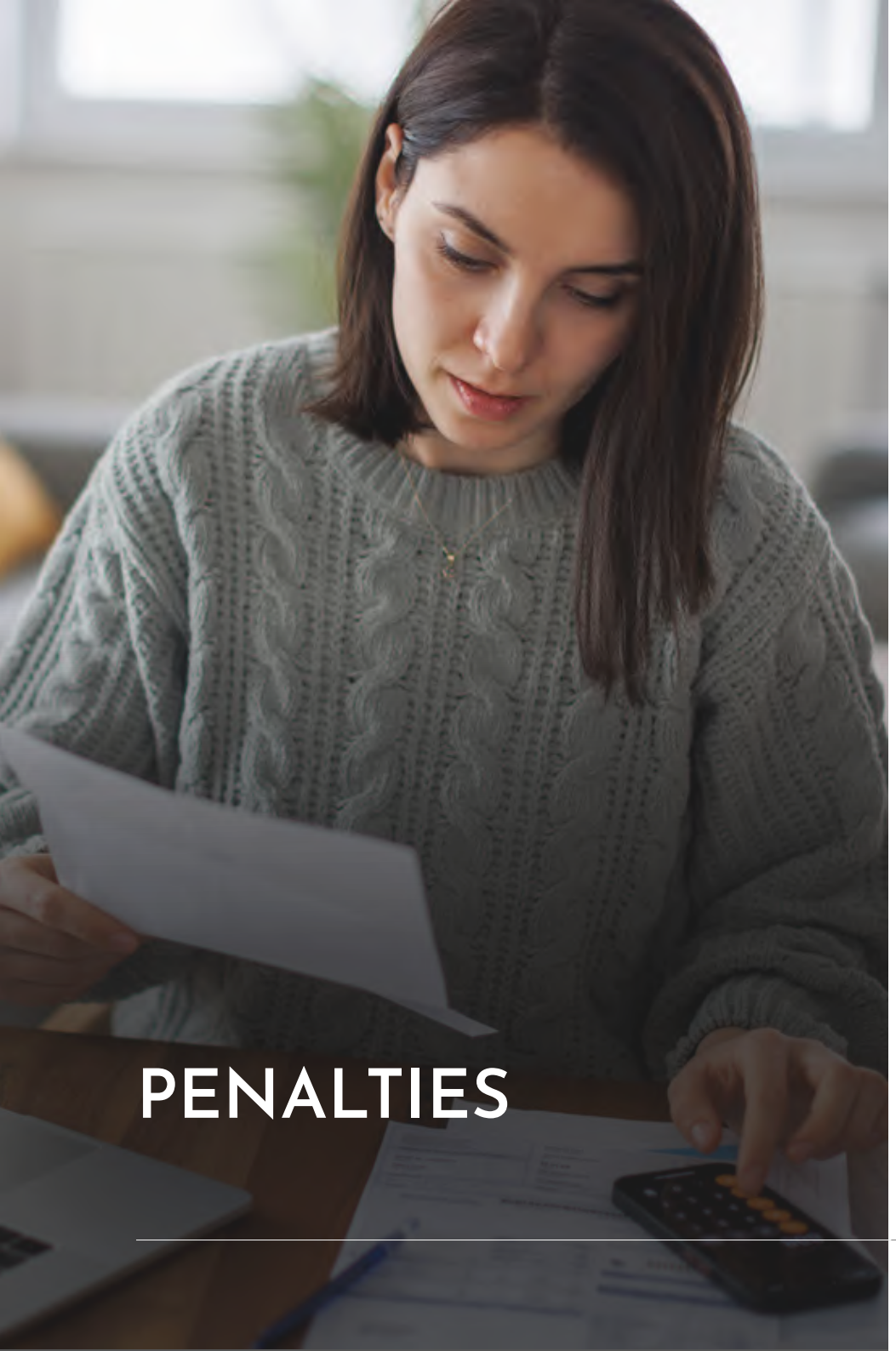
- **Reclaiming VAT**: Only reclaim VAT where it is allowed. VAT on cars is generally blocked unless the vehicle is used exclusively for business and not made available for private use. For leased vehicles, 50% of the VAT can be reclaimed even if there is private use. Check whether VAT bad debt relief applies if an invoice remains unpaid after six months.
- **Private use adjustments**: When an asset or service is used privately, input VAT must often be restricted to the business proportion.
- **Pre-registration VAT**: When you register, you can usually reclaim VAT on goods bought in the previous four years if you still have them and they are used in the business. VAT on services can generally be reclaimed if incurred in the six months before registration, subject to the rules.
- **VAT and property**: Property VAT can be technical, especially for commercial properties, options to tax, and mixed-use buildings. It is worth taking advice before contracts are exchanged.
- **International trade:** Post-Brexit VAT rules still pose challenges for exports, imports, and movements in Northern Ireland. Getting the paperwork and VAT treatment right matters, particularly for zero-rating and reclaiming import VAT.



## A USEFUL CHANGE FROM 1 APRIL 2026

A new VAT relief applies to specific donations of goods by businesses to charities. In broad terms, this can remove VAT charges that would otherwise arise when you donate eligible goods for onward distribution or for use in the charity's non-business charitable activities, within the conditions of the relief. This is particularly relevant if you hold surplus stock that you would rather donate than dispose of.

If you need help reviewing whether VAT registration is still the right fit, refining your VAT process, or selecting the best scheme, we can walk you through the options and practical steps.



# PENALTIES



## THE COST OF NON-COMPLIANCE

Missing deadlines, paying late, or submitting inaccurate information can lead to penalties and interest. In most cases, the longer the delay, the higher the cost. HMRC also charges late payment interest, and since 6 April 2025, this is set at the Bank of England base rate plus 4%, so the rate can move during the year.

## INCOME TAX, SELF ASSESSMENT

If you file your return late, the standard penalties are:

- **1 day late**: £100 fixed penalty (even if you have no tax to pay).
- **3 months late**: £10 per day for up to 90 days, maximum £900.
- **6 months late**: the higher of £300 or 5% of the tax due.
- **12 months late**: a further £300 or 5% of the tax due, whichever is higher. More severe penalties can apply in serious cases.

If you pay late, you will generally get late payment penalties of 5% of the tax unpaid at:

- **30 days, 6 months, and 12 months**, plus late payment interest.

## CORPORATION TAX

Your Company Tax Return is due 12 months after the end of the accounting period; however, the tax is typically due earlier, usually 9 months and 1 day after the period end for smaller companies.

Late filing penalties for the Company Tax Return are:

- **1 day late:** £100.
- **3 months late**: another £100.
- **6 months late**: HMRC can issue a tax determination and charge a penalty of 10% of any unpaid tax.
- **12 months late:** another 10% of any unpaid tax.

If your return is late three times in a row, the £100 penalties increase to £500 each.

## VAT

VAT has two separate penalty regimes: one for late returns and one for late payment.

- **Late VAT returns (points-based):** You get one penalty point for each late return, including nil returns. Once you reach the threshold, you get a £200 penalty, and you will get another £200 for each further late return while you remain at the threshold.
- **Thresholds**: annually 2 points, quarterly 4 points, monthly 5 points.

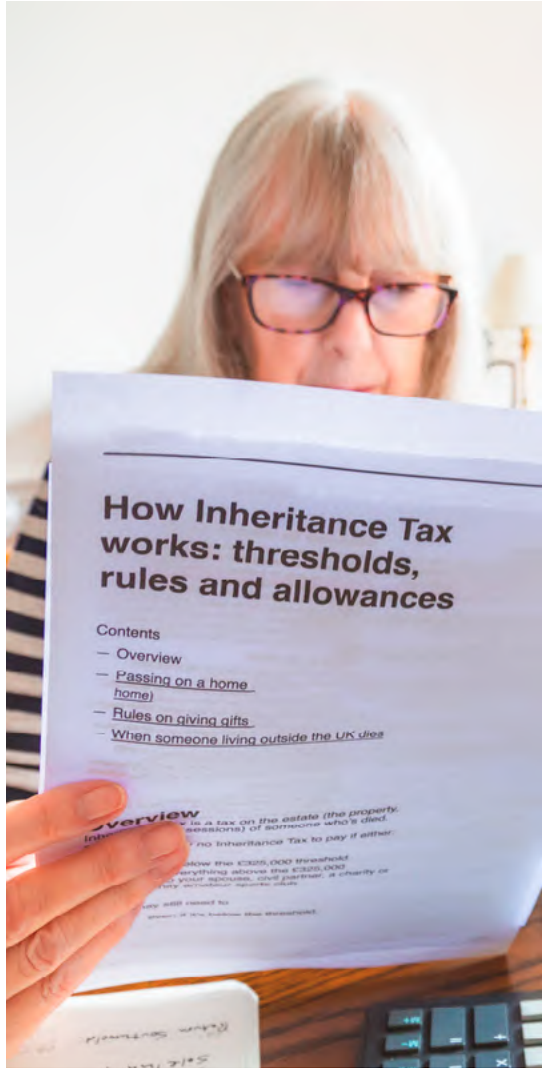
> *You get one penalty point for each late return, including nil returns.*

- **Late VAT payment:** If your VAT payment is up to 15 days late, there is no late payment penalty, but interest still runs.

  If your payment is between 16 and 30 days late, the first late payment penalty is 3% of the VAT outstanding on day 15.

  If your payment is 31 days or more late, the first late payment penalty increases to 3% of the amount outstanding at day 15 plus 3% of the amount still outstanding at day 30. A second late payment penalty then accrues daily at an annual rate of 10% on the outstanding balance, from day 31 until the VAT is paid.

  Late payment interest also applies to overdue VAT.




## INHERITANCE TAX

Inheritance Tax can attract both interest and penalties where returns or payments are late, or where information is inaccurate.

- **Late filing**: HMRC can charge an initial penalty of £100 for a late account, and a further penalty of £200 if it remains outstanding six months after the filing deadline. Where a return is significantly overdue, further penalties can apply, and these can be substantial.
- **Late payment**: interest is charged on unpaid Inheritance Tax, and the interest rate follows HMRC's late payment interest approach.

## KEY CONSIDERATIONS

- **Meet deadlines**: Late filing and late payment are usually treated separately, so you can be penalised twice if both happen.
- **Check accuracy**: Penalties can also apply for careless or deliberate errors, even where a return is filed on time.
- **Act early if you cannot pay**: If cash is tight, contacting HMRC promptly to agree a Time to Pay arrangement can reduce penalty exposure.
- **Stay organised**: Keeping records up to date and knowing your due dates is still the simplest way to avoid avoidable costs.

If you are worried that you have missed a deadline or received a penalty notice you do not understand, we can help you review the situation and respond most practically.

## IMPORTANT INFORMATION

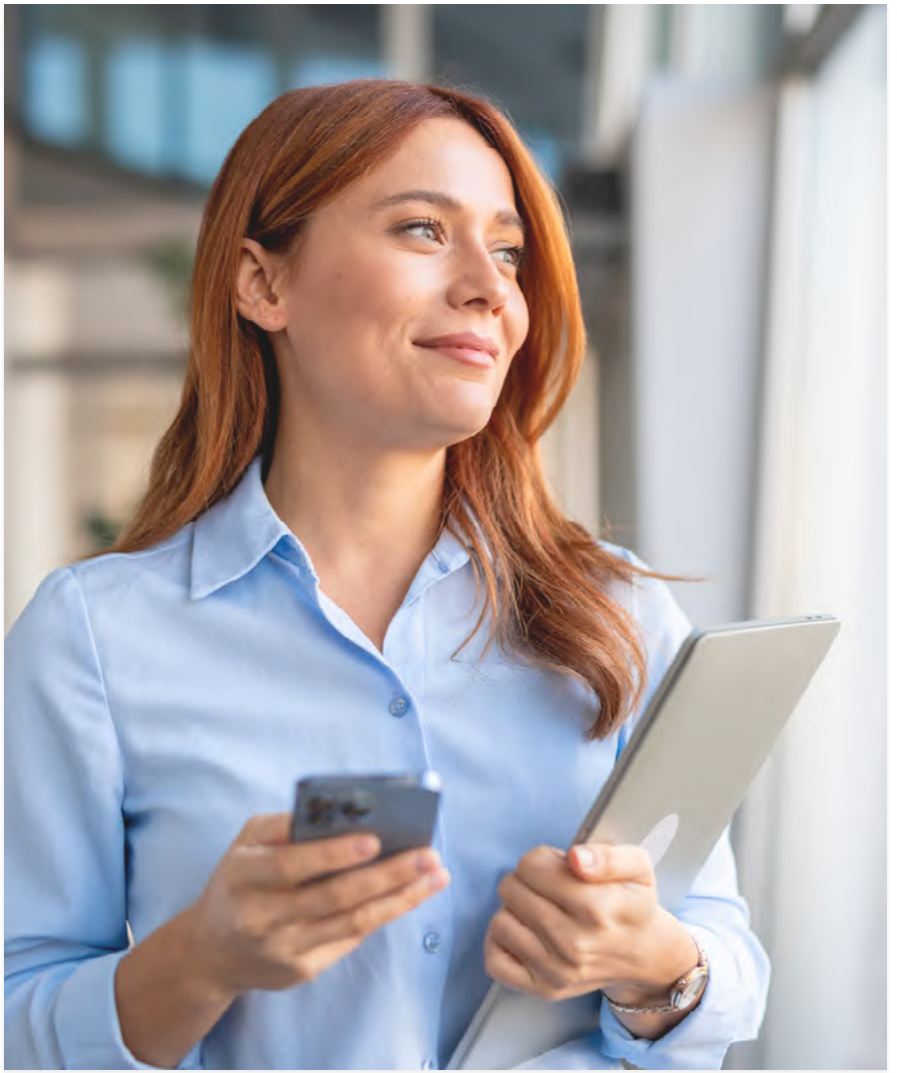
How tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change. ISA and pension eligibility depend on individual circumstances.

FCA regulation applies to certain regulated activities, products, and services, but it does not necessarily apply to all tax-planning activities and services.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation.

While considerable care has been taken to ensure the information in this document is accurate and up-to-date, no warranty is given as to its accuracy or completeness.

**Get in touch for tax planning advice.**



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