


END OF TAX YEAR ACTIONS: A CHECKLIST

It doesn't feel like long since we were packing away our Christmas tree and celebrating a new year with a list of resolutions, but supermarkets are already full of Easter eggs, and we are rushing head-first into another 'tax year end'. Our clients will have already had conversations about this with their planner, but here is a useful checklist of the allowances available before the end of the tax year on 5th April 2026

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- ✓ **ISA Subscriptions:** A real 'use it or lose it' allowance of £20,000 per person in each tax year, giving you freedom from Income and Capital Gains Tax, allowing your money to grow and be withdrawn tax-free. 'Stocks and shares' ISAs are best for long term inflation-proofed growth without tax on gains, but if you are not able to commit longer term, a 'cash' ISA, which could later be transferred into a 'stocks and shares' ISA, might be more appropriate. Lifetime ISAs can be used to purchase a first home or save for retirement if you are over age 18 and under 40. You can put in up to £4,000 (which counts towards your overall £20,000 ISA allowance) each year until age 50 and the government will add a 25% bonus to each subscription.
 - ✓ **Investments for children:** You can make pension contributions for children or grandchildren of up to £3,600 each and subscribe up to £9,000 each into Junior ISAs. We have written a separate article providing much more detail on your investment options for children and grandchildren.
 - ✓ **Using Capital Gains Tax Allowance:** Capital gains have become more of an issue in recent years as the annual exemption reduced from £6,000 to £3,000 on 6th April 2024. It might be worth considering selling taxable assets to make use of the valuable £3,000 exemption before the end of this tax year.
 - ✓ **Pension contributions:** The amount you can save into a pension is the lower of £60,000 or your total pensionable income. A 'carry forward' rule allows you to bring forward any unused allowances from the previous three tax years which could increase your allowance to £200,000 (£60,000 this year and last and £40,000 from the two previous tax years) if your earnings are high enough. Even non-earners can make contributions of up to £3,600 and secure tax relief. You contribute £2,880 and tax relief tops this up to £3,600 automatically. For those with income over £200,000, remember that the annual allowance could be tapered, reducing the amount you are permitted to contribute.
 - ✓ **Annual Gift Exemption for Inheritance Tax:** For those seeking to gift to their family, you can reduce the value of your estate for Inheritance Tax (IHT) purposes by using the £3,000 gift allowance. You can use any of last year's unused allowance too. There are also 'small gift' allowances, often used for birthday and Christmas gifts, of up to £250 per annum for family members and a potentially generous, 'gifts out of normal expenditure' allowance to consider. These allowances have become a more popular talking point since the announcement that pensions are to be brought into the Inheritance Tax regime from 2027.

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- ✓ **Pension contributions (continued):**
The most recent budget made significant changes to pension rules, so it may be useful to speak with a financial planner to understand the new rules before taking any action. Business owners can make employer contributions from their business to their pension (please always check with your accountant as it needs to be a justifiable expense) and receive corporation tax relief on contributions. Again, it is worth seeking financial advice if you are looking to make significant pension contributions from your business.
- ✓ **Making withdrawals to fund retirement:**
It may be worth considering how you take your retirement income to ensure you make full use of your income tax and capital gains tax exemptions. Building a tax efficient retirement income is a key aspect of our service.
- ✓ **Other considerations:**
Income tax: We all have £12,570 personal allowance at 0% income tax which can be filled up by pension income or other taxable income. At the higher end, you lose your personal allowance by £1 for every £2 your net income is above £100,000, an effective rate of tax of at least 60% (the cumulative effect of 40%/42% higher rate tax plus the loss of your tax-free personal allowance). Pension contributions and charitable donations are useful ways to reduce your net income to regain some or all of this. In Scotland, there are a greater number of tax bands and thresholds that mean making an extra pension contribution could be beneficial, whether to keep you within a certain band, reclaim personal allowance or to avoid the High Income Child Benefit Charge (which kicks in at £60,000 of income).
- ✓ **Dividend tax:** Remember that each of us has a dividend allowance of £500 each year.
- ✓ **Personal savings allowance:** Basic rate taxpayers have an allowance of £1,000 for interest from banks and the like, higher rate taxpayers have £500 and additional rate taxpayers lose this allowance altogether.
- ✓ **Venture Capital Trusts (VCT), Enterprise Investment Scheme (EIS) and Seed EIS:**
These are government initiatives designed to assist small to medium sized enterprises which each have unique and beneficial tax incentives across Income tax, Capital Gains tax and Inheritance tax. The increased investment risk of these type of investments must be considered along with the tax opportunities that they present.
- ✓ **State pension rule changes:** The transitional rules allowing you to plug any gaps in your National Insurance record, whenever they occurred, was extended to 5th April 2026, after which it will revert to the normal 6-year rule.

The value of investments and the income derived from them can fall as well as rise. You may not get back what you invest. This communication is for general information only and is not intended to be individual advice. It represents our understanding of law and HM Revenue & Customs practice. You are recommended to seek competent professional advice before taking any action. Tax and Estate Planning Services are not regulated by the Financial Conduct Authority. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Please get in touch with your planner, call us on **0131 2200 000** or email **enquiries@carbonfinancial.co.uk** as soon as you can should you wish to consider any of the above.

Remember the deadline is 5th April and any action would need to be considered well before this deadline.