

focus

ON THE BIGGER PICTURE



YOUR GUIDE TO MAKING THE MOST OF
YOUR ANNUAL TAX ALLOWANCES

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PARTNERSHIP

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Use them or lose them!

Use your annual allowances wisely

The UK tax system offers a range of valuable allowances designed to help you save, invest and pass on your wealth efficiently. By understanding how these work and reviewing them regularly, you can make sure your money is working as hard as you are.

Each tax year brings new opportunities and, in some cases, deadlines that can't be carried forward. Making use of your allowances early in the year gives your savings and investments more time to grow, while also helping you reduce the amount of tax you pay.

This guide brings together the main allowances available for pensions, ISAs, gifting and inheritance tax, dividends and capital gains. It also includes a simple checklist at the end to help you keep your finances on course throughout the year.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.



Your adviser can explain which allowances apply to you and how to use them most effectively for your circumstances and goals.

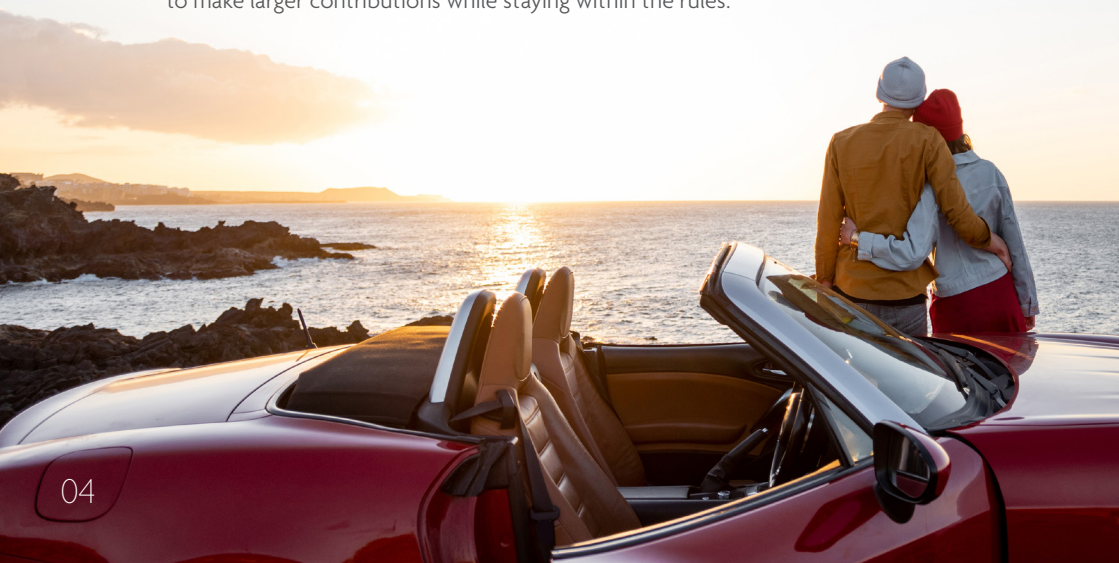
Plan for tomorrow, today

PENSIONS

Saving into a pension is one of the most effective ways to prepare for the future. It gives your money a valuable boost through tax relief and helps you build a pot to support the lifestyle you want in retirement. Even small, regular contributions can grow significantly over time. Whether you're contributing to a workplace pension or managing your own self-invested personal pension (SIPP), the tax advantages are the same. SIPPs can offer greater flexibility and investment choice, but they also require more involvement, so it's important to take advice to ensure your investments suit your goals and risk appetite.

Make the most of your pension allowance

For the 2025/26 tax year, your total pension contributions, including any tax relief added by the government, are limited to £60,000 or 100% of your earnings, whichever is lower. This allowance applies across all your pensions and may be reduced if you're a high earner. If you haven't used your full allowance in the past few years, you may be able to carry forward unused amounts from the previous three tax years. This can be a powerful way to make larger contributions while staying within the rules.



Boost your workplace pension

If you're a member of a workplace scheme, consider increasing your contributions if you can. Contributions are taken from your pre-tax salary, so you benefit from both tax relief and National Insurance (NI) savings. Under current rules the full benefit applies, but the government has announced that from April 2029 NI relief on salary-sacrificed pension contributions will be capped at £2,000 a year. With the change still some way off, it's worth making the most of the full relief available in the meantime, if you can.

Check your State Pension record

It's worth reviewing your National Insurance record to make sure you have enough qualifying years to receive the full State Pension. If there are gaps, you may be able to make voluntary contributions to top them up. You can check your record and State Pension forecast at www.gov.uk/check-state-pension

Think ahead to future changes

From 6 April 2027, unused pension funds and death benefits are expected to be included within a person's estate for inheritance tax (IHT) purposes, which is a major change from the current system. If you're planning to use pension savings to pass on wealth, speak to your adviser about how these rules could affect your plans.

Save for the next generation

You can also open a junior pension (children's SIPP) for a child or grandchild. Up to £3,600 a year can be achieved, with £2,880 paid by a parent or grandparent and then HMRC paying £720 (which is 20% tax relief). The funds can't be accessed until age 55*, giving decades for potential growth.

Review regularly

Your pension should adapt as your circumstances change. Regular reviews with your adviser can help ensure your savings are on track, your investments remain appropriate, and you're making the most of available allowances each year.

*Rising to 57 from 2028.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

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Make your money work harder, tax free

ISAs

An Individual Savings Account (ISA) is one of the simplest and most effective ways to save and invest. Any interest, dividends or growth earned within an ISA are free from income tax and capital gains tax (CGT), which means more of your money stays saved or invested and working for you. For the 2025/26 tax year, you can save or invest up to £20,000 across your ISAs. You can hold one or more ISAs of different types, but the combined total can't exceed this annual limit.

Choose the right ISA for your goals

There are several types of ISA, each with its own benefits:

Cash ISAs Offer security and easy access, making them a good choice if you want lower risk or may need the funds in the short term.

Stocks and Shares ISAs Let you invest in funds, shares and bonds, giving your savings greater potential for long-term growth, though their value can rise and fall.

Lifetime ISAs (LISAs) Designed to help you buy your first home or save for later life. You can invest up to £4,000 a year (within your £20,000 overall limit) and receive a 25% government bonus.

Junior ISAs Allow parents or grandparents to save up to £9,000 a year for a child under 18, with tax-free growth until they can access the funds at 18.

Flexible ISAs If you want greater flexibility, you can also open a flexible ISA, which lets you withdraw and replace money within the same tax year without losing your allowance.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

When to use your allowance

If you don't use your ISA allowance before 5 April, you lose it because it can't be carried forward. Making contributions early in the tax year gives your money more time to grow through compounding, so it's often worth getting started sooner rather than later.

ISAs and capital gains

Recent reductions in the CGT allowance mean ISAs are more valuable than ever. From April 2024, the annual CGT exemption fell to £3,000. Holding investments inside an ISA ensures any future growth is sheltered from CGT altogether.

Work alongside your other savings

ISAs and pensions complement each other well. While pensions are designed for long-term retirement saving, ISAs offer flexibility to access funds at any time, without tax on withdrawals. Together, they can form the backbone of a well-diversified financial plan.

Review and adjust

As your goals and circumstances change, so should your savings strategy. Regular reviews with your adviser can help you choose the right mix of ISAs, balance risk and reward, and keep your money working efficiently for your future.

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Pass on more of your wealth

GIFTING AND INHERITANCE

Gifts during your lifetime can be one of the most rewarding ways to support family and loved ones. It allows you to see the difference your help makes, and can also reduce the amount of inheritance tax (IHT) due on your estate later on.

Understanding inheritance tax

IHT is charged at 40% on the value of your estate above the £325,000 nil rate band. This threshold can rise to £500,000 per person (or £1 million per couple) if you leave your home to direct descendants. Anything left to a spouse, civil partner or charity is usually exempt from IHT.

Make use of annual gift allowances

You can give away up to £3,000 each tax year without it being added to the value of your estate. If you didn't use last year's allowance, you can carry it forward for one year, meaning a couple could gift up to £12,000 this year.

You can also make small gifts of up to £250 per person each tax year, and certain gifts made for weddings or civil partnerships may qualify for additional exemptions. These small steps can gradually reduce the size of your estate while benefiting your family today.



You can give away up to £3,000 each tax year without it being added to the value of your estate.

Larger gifts and the seven-year rule

You can make larger gifts of any size, but if you die within seven years, they may still count towards your estate for IHT purposes. These are known as potentially exempt transfers (PETs). If you survive for the full seven years, they fall outside your estate entirely. Keeping a simple record of what you've given and when can make things easier for your executors in future.

Gifting to charities

Donations to UK-registered charities are fully exempt from IHT. If you leave 10% or more of your estate to charity, the tax rate on the remainder of your estate reduces from 40% to 36%. Lifetime charitable donations can also attract Gift Aid, which increases the value of your contribution and may offer extra tax relief if you pay higher-rate tax.

Upcoming changes to pensions and IHT

From 6 April 2027, unused pension funds and death benefits are expected to be included within a person's estate for IHT purposes. If you're building pension wealth with the intention of passing it on, it's worth reviewing your plans now to understand how this change might affect you.

Review your will regularly

A valid, up-to-date will ensures your wishes are carried out and can make a big difference to how efficiently your estate is passed on. If your circumstances change, through marriage, divorce or the arrival of new family members, it's sensible to review and update your will.

Plan well for the future

Talking to your adviser can help you structure your estate in the most tax-efficient way for your family, combining gifting allowances with wider financial and pension planning. Taking time to plan now can provide peace of mind that your wealth will benefit the people and causes you care about most.

Will Writing is not regulated by the Financial Conduct Authority.

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Make the most of your investment allowances

If you hold investments outside tax-efficient wrappers such as ISAs or pensions, it's important to understand how dividends and capital gains are taxed. With careful planning, you can make full use of the available allowances each year and avoid paying more tax than necessary.

Dividend allowance

For the 2025/26 tax year, you can receive up to £500 in dividends tax free. Above this amount, the rate of tax you pay depends on your income tax band:

| | |
|-----------------|--------|
| Taxpayer type | c |
| Basic rate | 8.75% |
| Higher rate | 33.75% |
| Additional rate | 39.35% |

Dividend income is added to your other taxable income to determine which rate applies. If you hold investments through a company, your position may differ, so it's worth discussing this with your adviser. It's also worth remembering that dividends automatically reinvested within a fund can still use up part of your dividend allowance.

Make use of both partners' allowances

If you're married or in a civil partnership, you can transfer assets between you on a no-gain, no-loss basis, meaning no tax is triggered on the transfer itself. This allows couples to make use of two sets of CGT and dividend allowances, potentially doubling the tax-free amount available each year.



Capital gains tax (CGT) allowance

You can make up to £3,000 in profit from selling investments such as shares each tax year before paying CGT. Gains above this allowance are taxed at:

| Taxpayer type | Tax rate |
|--------------------------|----------|
| Basic rate* | 18% |
| Higher & additional rate | 24% |
| Carried interest rate | 32% |

*Where total income and gains fall within the basic rate band.

Plan the timing of disposals

When selling investments, spreading disposals across two tax years can help you use multiple CGT exemptions. You can also offset any investment losses against gains, either in the same year or in future years, to reduce your overall tax bill.

Other helpful allowances

You may also benefit from the marriage allowance, which lets a non-taxpayer transfer up to £1,260 of their personal allowance to their spouse or civil partner, reducing their tax bill by up to £252 a year. If you earn more than £1,000 from a side business or freelance work, you may need to complete a self-assessment tax return.

Keep good records

Keeping a note of when you bought and sold investments, along with their purchase prices, fees and reinvested dividends, can make it easier to calculate gains accurately and claim any available reliefs later.

Take advice before acting

Understanding how different allowances interact can be complex, especially when you hold investments across several accounts or with a partner. Your adviser can help you structure your portfolio so you stay within the rules and make the most of every opportunity to save tax.

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Stay on course for your goals

Each tax year brings valuable opportunities to grow and protect your wealth, but many of these allowances can't be carried forward once the year ends. Taking a little time to review your finances can make a real difference over the long term. Your adviser can help you identify which allowances apply to your situation, how to use them effectively, and whether any carry-forward opportunities remain. Regular reviews also ensure your plans continue to reflect your goals and changing circumstances.

Talk to your adviser

A few small checks at the start or end of the tax year can help you keep more of what you've earned and support those who matter most. Your adviser is here to help you make the most of your allowances, plan with confidence and stay on course for your long-term goals.

Your annual checklist

- ✓ Have you used your full ISA allowance of £20,000?
- ✓ Are you making the most of your pension contributions, including any unused allowance from the past three years?
- ✓ Have you reviewed your gifting and inheritance plans and used your £3,000 annual exemption?
- ✓ Have you realised investment gains or dividends up to your CGT and dividend allowances?
- ✓ If you're married or in a civil partnership, are you taking advantage of the marriage allowance or both partners' investment allowances?
- ✓ Have you made any charitable donations under Gift Aid or updated your will?
- ✓ Do you know your State Pension forecast and whether you need to fill any National Insurance gaps?

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