



2025/26

Tax Planning Bulletin

Welcome to the 2026 edition of the Rawlinson & Hunter Tax Planning Bulletin.

The 2025/26 tax year marked the first full year of the new Labour government, with Chancellor Rachel Reeves delivering her second Budget on 26 November 2025. Staying true to the party's pledge not to raise taxes on working people, the Autumn Budget focused on targeted measures to address fiscal pressures while maintaining a stable economic outlook. The government reaffirmed its commitment to a single major fiscal event each year, with the Spring Statement on 3 March 2026 offering a more restrained update amid ongoing global uncertainty.

Several previously announced reforms have now taken effect or are on the horizon. The abolition of the non-UK domicile regime from 6 April 2025 has brought significant changes for internationally mobile individuals. Meanwhile, the extension of frozen tax thresholds continues to draw more taxpayers into higher bands, and adjustments to capital and wealth taxation including changes to Capital Gains Tax and Inheritance Tax are beginning to reshape long-term planning strategies.

For further guidance on any of the matters discussed, please speak to your usual Rawlinson & Hunter contact.

Topic	Consider if...	Section	Page Number
Income Tax	<ul style="list-style-type: none">You have made optimal use of your family's income tax reliefs and lower rate bands;There are caps on your tax reliefs and whether they can be reduced by planning;You should pay any dividends or bonuses from a family company or business.	1	2
Capital Gains Tax	<ul style="list-style-type: none">You have used your annual exemption and the exemptions of other family members;You should defer gains or utilise reinvestment reliefs;You qualify for business asset disposal relief (formerly entrepreneurs' relief);It would be beneficial to crystallise a disposal before 6 April 2026.	2	5
Inheritance Tax and trusts	<ul style="list-style-type: none">You should be making lifetime gifts or funding family trusts;You have a tax efficient will.	3	7
Investments, including property	<ul style="list-style-type: none">Your investment portfolio is tax efficient or would benefit from the use of ISAs, VCTs, EIS reliefs and "wrappers";The tax position of the property you own needs reviewing in light of recent changes.	4	10
Pensions	<ul style="list-style-type: none">Your pension choices are the right ones or need review.	5	15
Charitable donations	<ul style="list-style-type: none">Your gifts benefit from the available tax reliefs.	6	18
Overseas aspects, including offshore trusts	<ul style="list-style-type: none">Your tax status under the 'FIG' regime will change on 6 April 2026;You are arriving in or leaving the UK;You may be able to use the Temporary Repatriation Facility (2025–2028);Offshore income has been properly disclosed, given HMRC's use of CRS and the Register of Overseas Entities;Offshore trusts should be reviewed in light of the new attribution rules and residence based IHT regime.	7	20
Conclusion	<ul style="list-style-type: none">You need to speak with us for further guidance.	8	24



1

Income Tax

1 Income Tax

Tax rates and allowances

- 1.1 The threshold at which the top rate of tax is payable remains £125,140 from 6 April 2026, unchanged from the 2024/25 tax year. This threshold is linked to the withdrawal of the personal allowance, which is reduced by £1 for every £2 of income above £100,000, resulting in an effective marginal tax rate of 60% on income between £100,000 and £125,140.
- 1.2 The top rate of income tax for 2025/26 will remain at 45% in England and 48% in Scotland.
- 1.3 A Welsh income tax rate of 10% has applied for Welsh taxpayers since 6 April 2019. This results in a corresponding reduction of 10% in the UK rates, ensuring the total tax liability remains unchanged. The Welsh Government retains the power to vary the rate of income tax on non-savings income for Welsh taxpayers but has not exercised this power to date.
- 1.4 The dividend allowance for 2025/26 remains at £500, unchanged from 2024/25. Dividend income within this allowance is taxed at 0%.

Utilising allowances and lower rate tax bands

- 1.5 If your income for 2025/26 is between £100,000 and £125,140 your personal allowance will be incrementally withdrawn and you will suffer a 60% marginal income tax rate on the income for which the personal allowance is withdrawn. If you are an employee, consider swapping salary for benefits (such as employer pension contributions or childcare vouchers) to take your taxable income below the £100,000 threshold. You may also wish to consider making charitable donations or pension contributions (on which see below) or deferring income or investing for capital growth to reduce your tax liability.
- 1.6 If your income is likely to be between £60,000 and £80,000, and nothing is done, you will be subject to the High-Income Child Benefit Charge (in effect a claw back of child benefit received by you or your partner). If both parents keep their annual taxable income under £60,000 there is no clawback of the child benefit.
- 1.7 Ensure your spouse or civil partner fully utilises their £12,570 personal allowance and lower rate bands. Consider transferring or splitting ownership of income-producing assets or placing savings in joint names. Additionally, the marriage allowance permits transfer of 10% of the personal allowance to a spouse or civil partner, provided neither pays tax above the basic rate.
- 1.8 For jointly owned assets (excluding close company shares), income is deemed to be split

50/50 regardless of beneficial ownership. Where actual ownership differs, a declaration on Form 17 ensures taxation reflects the true ownership ratio.

- 1.9 Is there a family business? If so, family businesses should consider paying salaries to spouses, civil partners, or children (if sufficiently mature), provided remuneration reflects actual work performed and is commercially justifiable. Employer pension contributions offer further tax-efficient remuneration and dividend planning should also be explored (see Section 4).
- 1.10 Review whether children, grandchildren, or other intended beneficiaries fully utilise their £12,570 personal allowance and lower rate bands. Note that anti-avoidance provisions apply where gifts to minor children (but not grandchildren) generate income exceeding £100 in a tax year.
- 1.11 Develop a comprehensive lifetime giving strategy addressing all relevant taxes. Options include:
 - Providing funds to enable family members to acquire income-producing, appreciating assets, thereby utilising their personal allowances, lower rate bands, and CGT annual exempt amount.
 - Where a family discretionary trust exists, making income distributions to maximise beneficiaries' personal allowances and lower rate bands, alongside considering capital distributions.
- 1.12 Take advice before 5 April 2026 if you think that you may have mistakenly overpaid tax in earlier tax years. Note that claims for 2021/22 must be made by 5 April 2026.

Reliefs that can reduce total income

- 1.13 Certain tax reliefs operate by reducing an individual's total income, which can lead to substantial tax savings. However, the extent of these savings is restricted by a cap, which is set at the greater of £50,000 or 25% of the taxpayer's adjusted net income for the relevant tax year.
- 1.14 Among the reliefs affected by this cap are those that allow trading losses to be offset against general income, reliefs for specific interest payments (such as interest on loans taken to acquire shares in a close company or to inject capital into a partnership), and income tax relief for capital losses arising from the disposal of shares in unlisted trading companies. Notably, the cap does not apply to reliefs linked to shares qualifying for EIS or SEIS, which enhances the attractiveness of these schemes for tax planning purposes. It is advisable to seek professional guidance if you suspect the cap might limit your relief claims.
- 1.15 Charitable giving reliefs, on the other hand, are not subject to the cap. This includes reliefs for donations made under Gift Aid (cash

contributions) and gifts of qualifying property, such as land or securities. These exemptions ensure that charitable contributions remain fully eligible for income tax relief without restriction.

Scottish Income Tax

1.16 Scottish Income Tax applies to income other than savings income (savings for this purpose include dividend income). For Scottish taxpayers, the following types of income are subject to Scottish Income Tax: employment income, self-employment income, pension income, and rental income.

1.17 Broadly, a Scottish taxpayer is generally a UK resident (non-UK residents cannot be Scottish taxpayers) who meets one of the following criteria:

- they are a Scottish Parliamentarian (a member of the Westminster Parliament for a Scottish constituency or the Scottish Parliament);
- they have a close connection to Scotland, either by: (i) having their sole UK residence in Scotland and living there for at least part of the tax year; or (ii) having their main residence in Scotland for at least as much time in the tax year as in another part of the UK (considered separately); or
- they lack a close connection to England, Wales, or Northern Ireland and, counting midnights (with the transit exemption), spend more days in Scotland than in any other part of the UK.

1.18 There are currently six bands, charging income tax at rates ranging from 19% to 48%. The bands for 2026/27 are as set out in the table.

Income Tax Rate	Scottish Rate	Rest of UK Rate
Starter rate	19% (between £12,751 and £16,537)	N/A
Basic rate	20% (between £16,538 and £29,526)	20% (taxable income up to £37,700)
Intermediate rate	21% (between £29,527 and £43,662)	N/A
Higher rate	42% (between £43,663 and £75,000)	40% (between £37,701 and £125,140)
Advanced rate	45% (between £75,001 and £125,140)	N/A
Top rate	48% (over £125,140)	45% (over £125,140)

Taxable income is calculated after deducting the personal allowance of up to £12,570, where applicable. Across the UK, the allowance is reduced by £1 for every £2 of income exceeding £100,000.

1.19 Given the differences in rates, it is increasingly important to identify Scottish taxpayers. While HMRC has made efforts to address this, under self-assessment, the responsibility ultimately lies with the taxpayer to determine their residence status. This requires careful consideration, particularly for individuals with properties in both Scotland and other parts of the UK. For instance, having an English correspondence address does not necessarily mean the taxpayer is not a Scottish taxpayer, and vice versa.



2

Capital Gains Tax

2 Capital Gains Tax (CGT)

- 2.1 The annual exemption remains at £3,000 for 2026/27. CGT rates are 18% for lower rate taxpayers and 24% for higher and additional rate taxpayers. The rates apply to all assets except carried interest (which falls into the income tax regime from 6 April 2026).
- Have you used your £3,000 annual exemption? If not, consider doing so by:
- Selling investments showing gains. To repurchase the same investment personally, avoid bed and breakfasting rules by waiting at least 30 days between sale and acquisition. The rules do not apply if your spouse, an ISA, or a trust repurchases.
 - Gifting assets standing at a gain to children or other beneficiaries.
 - Transferring investments standing at a gain to a trust, though take advice on the IHT consequences of doing so.
- 2.2 Where you have unused basic rate band, consider transactions (such as sales or gifts above) that would utilise this band. The benefit depends on whether you expect to remain a basic rate taxpayer in future years. If so, accelerating disposals may be counterproductive as it brings forward the tax payment date without rate savings.
- 2.3 CGT rates remain relatively modest. The higher rate of 24% is still substantially lower than the 40%/45% income tax rates. Structuring returns as capital rather than income remains valuable.
- 2.4 Is your spouse/civil partner using their annual exemption, basic rate band and/or capital losses? If not, consider transferring or splitting ownership of assets standing at a gain to maximise both parties' reliefs.
- 2.5 Have you already realised gains exceeding the annual exemption that will attract CGT? If so, review your portfolio to identify: (i) assets standing at a loss that could be sold; or (ii) assets that have become worthless, enabling a negligible value claim.
- 2.6 Negligible value claims can be made when an asset becomes of negligible value and backdated up to two years, provided the asset was also of negligible value at the earlier date claimed. The deadline for claims that assets became of negligible value in 2023/24 is 5 April 2026.
- 2.7 Can you defer disposals realising gains (exceeding your annual exemption and unused losses) until after 5 April 2026? This typically defers the tax payment date by one year, providing a cash flow advantage. The exception is residential property, where tax is due within 60 days of completion. However, exercise caution where you would pay CGT at the lower rate now, as deferral may result in higher rate tax in subsequent years if your income increases.
- 2.8 From 6 April 2026, the Business Asset Disposal Relief (BADR) rate increases from 14% to 18%. BADR applies to up to £1 million of lifetime gains and maximising BADR should be considered at every stage of a business lifecycle. Where deferred consideration (such as loan notes) is involved, consider electing to have all gains taxed at disposal to secure the lower 14% rate for 2025/26 rather than 18% for later years.
- 2.9 Exercise caution with spouse/civil partner transfers. For BADR purposes, the transferee spouse does not inherit the transferor's qualifying period. Transferring qualifying business assets from a qualifying to a non-qualifying spouse before disposal could be an expensive error, potentially losing BADR on the entire gain.
- 2.10 The deadline for claiming capital losses realised in 2021/22 is 5 April 2026 (four years after the tax year end). This is also the deadline for business asset gift relief and holdover relief elections for 2021/22 disposals.



3

Inheritance Tax (IHT) and Trusts

3 Inheritance Tax (IHT) including Trusts

General points

- 3.1 IHT at 40% applies to taxable estates exceeding the nil rate band of £325,000 (including gifts in the seven years before death) with any unused nil rate band being available to transfer to a surviving spouse/civil partner. A tax-efficient Will coupled (where necessary) with a judicious lifetime giving strategy (using trusts, family investment companies etc where appropriate) can reduce the impact of IHT significantly. The 40% rate reduces to 36% where 10% or more of the net estate is left to charity.
- 3.2 In addition to the standard nil rate band, individuals have a residence nil rate band of £175,000, where a home is passed to direct descendants. There will, however, be a tapered withdrawal of the band for estates valued at more than £2 million. Where the value of your estate will not exceed £2 million the residence nil rate band will allow at least part of the value of the family home to pass tax-free to younger generations. The operation of the relief is however highly complex, and specific advice should be sought. As with the standard nil rate band, any unused residence nil rate band will be transferable to a surviving spouse or civil partner.
- 3.3 You should ensure you have a Will and that it is as tax efficient as possible. It should be reviewed regularly to ensure it remains in keeping with your wishes and continues to be tax efficient.
- Ensure IHT-favoured property (such as assets qualifying for Business Property Relief) is left to chargeable legatees rather than a spouse or other exempt beneficiary, to avoid the relief being wasted.
 - Where there is an exempt residuary legatee, such as a spouse or charity, take specialist advice to avoid grossing up on gifts to other beneficiaries.
 - Will trusts will be desirable in some cases but not all.
- 3.4 Debts and loans can be IHT efficient in reducing the value of a taxable estate. However, specific advice should be taken as anti-avoidance provisions can apply to disallow the deduction. For example, a deduction will only be given against the death estate for a liability to the extent that it is subsequently repaid (subject to an exemption for genuine commercial arrangements).
- 3.5 Where an individual has died without a Will or where the Will is not tax efficient, a Deed of Variation can often rectify the situation and achieve tax savings; there is a two-year time limit. Where a Deed of Variation results in a gift to

charity, the charity must be notified of the Deed of Variation.

- 3.6 Whether made on death or as part of a lifetime giving strategy the following transfers are exempt from IHT:
- gifts to charity;
 - gifts to most mainstream political parties (though not gifts with respect to a referendum campaign);
 - transfers between spouses/civil partners where both share the same long-term UK residence status for IHT purposes. Where a long-term UK resident spouse transfers to a non-long-term UK resident spouse, the exemption is limited to £325,000 unless the non-long-term UK resident spouse elects to be treated as long-term UK resident.

Absolute lifetime giving

- 3.7 Each individual can gift up to £3,000 per tax year exempt from IHT. If unused, the exemption can be carried forward for one tax year, allowing a maximum of £6,000 to be gifted tax-free in the following year. For example, by 5 April 2026, a couple could jointly gift up to £12,000 (£6,000 each) without triggering IHT.
- 3.8 Gifts of up to £250 per recipient per tax year are exempt from IHT, provided the recipient does not also benefit from the £3,000 annual exemption. This exemption is “all or nothing,” meaning that if the gift exceeds £250, the exemption does not apply at all.
- 3.9 Gifts made from surplus income are immediately exempt from IHT if they meet qualifying conditions. These gifts must be habitual, made from income rather than capital, and leave the donor with sufficient funds to maintain their standard of living.
- 3.10 Spouses and civil partners are entitled to their own distinct inheritance tax annual exemptions and nil-rate bands during their lifetimes. They are also able to independently utilise the various exemptions outlined above. It may be beneficial to consider a coordinated approach to gifting strategies to maximise the available reliefs.

Special IHT reliefs

- 3.11 Certain reliefs from IHT apply to qualifying business property, agricultural property, and woodland. The relief for business and agricultural property has been limited from 6 April 2026. The government now restricts 100% relief to the first £2.5 million of combined business and agricultural property (the “£2.5 million allowance”), with any value above this receiving relief at 50% (equivalent to an IHT rate of 20%). AIM-listed shares, treated as “not listed” on recognised stock exchanges, now qualify for only 50% relief irrespective of their value and

do not fall within the £2.5 million allowance. These reliefs can be complicated, especially where there is a group structure or a partnership involved, and advice should be obtained in advance to ensure all qualifying conditions are met.

- 3.12 Debts or loans taken out on or after 6 April 2013, where the funds are used to acquire assets qualifying for agricultural or business property relief, will for IHT purposes reduce the value of the qualifying agricultural or business property first, regardless of the asset used as security. Similar rules apply to trusts when calculating the ten-year charge. Loans taken out before 6 April 2013 are protected under transitional provisions, and individuals with such loans secured against other assets should seek advice before altering their terms. Comparable restrictions also apply to loans used to acquire excluded property.
- 3.13 In general (subject to special rules for UK residential property), foreign assets owned by individuals who are not Long Term UK Resident for IHT purposes are treated as excluded property and fall outside the IHT charge. With limited exceptions, no deduction is permitted for IHT purposes for liabilities connected with the acquisition of excluded property, regardless of when the liability arose. Broadly, a Long Term UK Resident is someone who has been UK resident for at least 10 of the previous 20 tax years.
- 3.14 A reduced IHT rate of 36% applies on death where at least 10% of a person's net estate is left to charity.

Trust Planning

- 3.15 Trusts remain an effective vehicle for preserving family wealth. Professional advice is essential before:
- establishing a trust;
 - amending an existing trust
 - incorporating trust provisions within a Will

Particular caution applies to settlor-interested trusts (where the settlor, spouse or civil partner can benefit), as anti-avoidance rules impose significant restrictions. Holdover relief is unavailable for transfers to settlor-interested trusts, creating immediate CGT and potentially IHT charges on creation.

- 3.16 Lifetime trusts created since 22 March 2006 fall within the IHT relevant property regime. This triggers: (i) an immediate 20% IHT charge on transfers exceeding the nil-rate band (currently £325,000); (ii) periodic charges of up to 6% every ten years; and (iii) exit charges when assets leave the trust.
- 3.17 The establishment of a trust is still a valuable tool where:

- Settled amounts remain within the nil-rate band (e.g., grandparent settlements or low-value assets with growth potential)
- Tax favoured property is settled (noting business property relief restrictions)
- Long-term capital preservation is desired (the 6% decennial rate compares favourably to the 40% death rate)

- 3.18 Distribution strategies warrant review, particularly where trust deeds treat undistributed income as capital additions—a critical consideration given the post-5 April 2025 regime changes affecting non-resident trusts.
- 3.19 Pre-decennial charge planning requires attention to accumulated income. IHT deeming provisions apply the 6% charge to income retained by trustees for over five years immediately before the ten-year anniversary.
- 3.20 From 6 April 2025, trusts established by formerly non-UK domiciled individuals lost previous tax advantages. UK resident settlors may now face attribution of non-resident trust income and gains.

Alternatives to trusts

- 3.21 Family Limited Partnerships or Family Investment Companies may provide tax-efficient alternatives in appropriate circumstances. Specialist advice is recommended to evaluate suitability.



4

Investments including property

4 Investments including Property

Tax is only one of a number of considerations when making investments. Before any investment decision is made specific financial advice should be taken from someone with the appropriate regulatory standing.

General points

4.1 Consider the following tax mitigation or deferment strategies:

- Investing for capital growth - the higher CGT rate on most assets remains 24% for gains falling above the basic rate band, which is still considerably lower than the 45% additional Income Tax rate.
- Wrapper products – these can continue to provide tax deferral during periods of higher tax rates. Specialist tax advice remains essential, particularly given potentially penal tax regimes and the detailed rules surrounding investment bonds, family investment companies and similar structures.
- For dividends above the £500 allowance, amounts falling with the basic rate band are taxed at 8.75%; the corresponding rates for the higher and additional rate bands are 33.75% and 39.35%, respectively. The basic and higher rates are set to increase by 2% each from 6 April 2026.
- Dividend payments may still benefit from the £500 dividend allowance. Portfolio dividends remain outside your control, but with a family company there may be scope to declare an interim dividend before 6 April 2026 if the 2025/26 allowance has not been used. Dividends above the allowance may still be more tax efficient than salary. If you have a loan from a family company, the company may continue to face a 33.75% charge if the loan is not repaid within nine months of the year end.

4.2 Where you hold shares in unlisted trading companies that have become worthless, consider whether you can claim the loss against income (subject to the cap on income based reliefs).

ISAs

4.3 There are now a variety of different ISA products (see below). Unless you are a Crown servant you must be UK resident to benefit from an ISA product. ISAs continue to provide tax free Income Tax and CGT treatment, and ISA income and gains do not need to be declared on a tax return. ISA values remain part of your estate for IHT purposes.

4.4 The ISA allowance remains £20,000 for 2025/26. Junior ISA and Child Trust Fund allowances remain £9,000. If the allowance is not used by 5 April 2026 it is lost.

4.5 There are no restrictions on the mix of cash or investments in a standard ISA for 2025/26. Lifetime ISA subscriptions continue to count towards the £20,000 overall limit, with a cap of £4,000 per year for Lifetime ISA savings. The qualifying age for opening Cash, Stocks & Shares, Innovative Finance and Lifetime ISAs remains 18. Subscriptions to multiple ISAs of the same type (other than Lifetime ISAs) continue to be permitted within the overall annual limit. Long term asset funds and open ended property funds may still be held within an Innovative Finance ISA.

4.6 Lifetime ISAs remain available for individuals aged 18 to 40, with contributions permitted until age 50. Up to £4,000 a year can still be saved, with a 25% government bonus added at the end of the tax year. An individual can only have one Lifetime ISA. The funds contained within the Lifetime ISA can be withdrawn tax free in the following circumstances:

- you are buying your first home up to the value of £450,000 (provided the qualifying conditions are met);
- you are over 60; or
- you are terminally ill, with less than 12 months to live

Withdrawals in other circumstances will be subject to a 25% tax charge (effectively clawing back the bonus).

4.7 Consider saving for children under 18 through Junior ISAs, which have a £9,000 annual limit. Child Trust Funds can continue to be transferred into Junior ISAs, of which anyone can contribute on behalf of the child and access is normally blocked until age 18 (unless the child is terminally ill). Junior ISAs convert automatically into adult ISAs at age 18.

Tax favoured investments

4.8 Investing in smaller businesses continues to carry higher risk and, as a result, various schemes remain available to offer taxpayers incentives to help provide financing for smaller entities.

Enterprise Investment and Seed Enterprise Investment Scheme

4.9 A subscription for fully paid shares wholly in cash in the ordinary share capital of a company carrying on a qualifying trading operation under the Enterprise Investment Scheme (EIS) rules, or in a small early stage company falling within the Seed Enterprise Investment Scheme (SEIS) rules, can continue to attract a number of tax benefits, as summarised in the table below.

4.10 Specific advice should still be taken, as both reliefs remain subject to a range of complex conditions (applying to both the investor and the company). These conditions must be satisfied – and not subsequently breached – for relief to be available

initially and to avoid a clawback of any relief already given.

4.11 It remains important to note that, for the CGT exemption to apply, Income Tax Relief must have been claimed. This should therefore be done even where the taxpayer's Income Tax position means the relief is not itself worthwhile (for example, where an individual would otherwise need to disclaim their personal allowance in order to have income against which relief could be claimed).

4.12 Both the EIS and SEIS regimes still allow a qualifying investment made in a tax year to be carried back to the preceding tax year, provided the taxpayer has sufficient capacity to use the relief in the earlier year. This means that, for both EIS and SEIS relief, 5 April 2026 is the deadline for making a qualifying investment that can be carried back to 2024/25 to take advantage of any unutilised capacity in that tax year. Investment should be deferred until after 5 April 2026 if capacity in both 2025/26 and 2024/25 has been exhausted.

Benefit	EIS	SEIS
Maximum investment	£2 million*	£200,000
Income Tax Relief on the amount invested up to the maximum for the tax year	Yes at 30%, provided: <ul style="list-style-type: none"> the taxpayer has sufficient income to set the relief off against; and the qualifying conditions are not breached in the three-year period after acquisition. 	Yes at 50%, provided: <ul style="list-style-type: none"> the taxpayer has sufficient income to set the relief off against; and the qualifying conditions are not breached in the three-year period after acquisition.
CGT exemption on the disposal of the EIS shares	Yes, provided Income Tax relief has been validly claimed and not been forfeited.	Yes, provided Income Tax relief has been validly claimed and not been forfeited.
Deferral of gains as a result of re-investment in qualifying shares	Yes, every £1 of qualifying reinvestment defers £1 of gain. This relief can also be claimed by Trustees. The qualifying investment must be made within the period commencing one year before and ending three years after the relevant disposal (that is the disposal that realised the gain that you wish to defer). Where the reinvestment takes place before the relevant disposal, the EIS shares must still be held at the time of the relevant disposal. The qualifying conditions for CGT deferral relief are less stringent than for the other EIS reliefs. The investor can claim this relief and be connected to the company.	No. The entire gain is not deferred but up to 50% of the gain may be exempt (see below).
CGT Reinvestment Relief	No, just CGT deferral relief, so the gain will become chargeable at a later date.	Yes, provided the Income Tax relief claim is made and not forfeited as a result of breaching the qualifying conditions. See below for further details.

* any amount invested over £1m must be invested in knowledge-intensive companies

4.13 The SEIS CGT reinvestment relief conditions remain identical: relief applies where a gain arises from an actual chargeable disposal (not deemed disposals), the investor claims SEIS income tax relief for the tax year of the gain (or carries back the claim to that year), and the income tax relief is not subsequently withdrawn.

4.14 Provided income tax relief is not withdrawn, for gains reinvested in qualifying SEIS shares, up to 50% of the gain will be exempt from CGT. This means that per tax year, the potential maximum

CGT exemption is £100,000 (half of the £200,000 maximum investment permitted). This will result in a potential maximum tax savings of £18,000/£24,000 for 2025/26 gains.

- 4.15 The capital loss relief rules remain unchanged: losses on SEIS shares can be offset against general income without the £50,000 cap that applies to other unlisted trading company shares, but the allowable loss must be reduced by income tax relief given and not withdrawn. This continues to provide valuable downside protection for SEIS investors in 2025/26.

Venture Capital Trusts

- 4.16 Provided certain conditions are met, investments by individuals of up to £200,000 per tax year in Venture Capital Trusts (VCTs) during the 2025/26 tax year can offer: (i) 30% Income Tax relief, provided the individual has a sufficient Income Tax liability for the relevant tax year; (ii) tax-free dividends, subject to the £200,000 annual investment limit; and (iii) exemption from Capital Gains Tax (CGT) on disposal of the VCT shares, provided the shares were acquired in a qualifying VCT and held for at least five years. The income tax relief will reduce to 20% from 6 April 2026 so it may be worth considering whether the investment may be accelerated to prior to 6 April 2026.

Property

- 4.17 Residential property frequently represents a significant element of an individual's estate, and a careful review of the tax position can help ensure overall efficiency. The taxation of UK real property has undergone numerous changes since 2012, with further substantial developments in recent years. From 6 April 2019, non UK residents — including individuals, companies and trusts — have been brought within the charge to CGT (or corporation tax where applicable) on disposals of all UK immovable property, whether residential or commercial. This extended the earlier rules under which, from 6 April 2015, only disposals of residential property by non UK residents were taxable. The effect of these changes is moderated by rebasing provisions: broadly, residential property may be rebased to its value at 6 April 2015, and commercial property to its value at 6 April 2019.
- 4.18 As well as on direct disposals, CGT is charged on indirect disposals of interests in UK land by non-UK residents. Indirect disposals arise in situations where a non-resident disposes of an interest in a "property rich" entity (simplifying, where 75% of its gross asset value, excluding liabilities, is represented by UK immovable property), and at the date of disposal, or in the previous five years, the non-resident (alone or with related parties) holds, or has held, an interest of 25% or more in the entity.

- 4.19 As with earlier extensions of CGT to non UK residents, transitional provisions continue to apply for property newly brought within the charge, with rebasing to April 2019 remaining the default method for calculating gains attributable to periods before that date.

- 4.20 Separate UK land disposal returns and 60 day payment requirements continue to apply. Non residents disposing of any UK land must submit a return within 60 days of completion, regardless of whether a gain arises, and pay any CGT due within the same timeframe. UK residents must also file a 60 day return and pay any CGT due on residential property disposals.

Rent a Room Relief

- 4.21 Individuals can rent a room in their home for up to £144 a week and not pay tax on the rent. If income exceeds £7,500 for the tax year, the excess is taxable at normal income tax rates.

Letting out residential property

- 4.22 From 2020/21 onwards, tax relief for finance costs on loans used to acquire residential let property has been restricted to a basic rate tax reduction. This restriction does not apply to corporate landlords. The relief operates as a tax reduction at the basic rate (20% for 2025/26) rather than a deduction against rental income. From 6 April 2026, profits from rental businesses will be subject to a 2% income tax increase.
- 4.23 Given this restriction, landlords may need to consider refinancing arrangements or disposing of one or more properties. Sales of residential property attract CGT at 18% (for gains within the basic rate band) or 24% (for gains exceeding the basic rate band) for 2025/26. Where the letting activity constitutes a business, transferring properties into a corporate structure may be advantageous. Companies can deduct loan interest in full provided the annual interest does not exceed £2m on a group-wide basis. However, specialist advice is essential to ensure tax efficiency, particularly regarding Stamp Duty Land Tax implications on any transfer.

Main residence exemption

- 4.24 Principal private residence relief (PPR) applies only where a residential property is (or has been) your actual residence. Relief extends to garden or grounds within permitted limits. Where PPR applies, an exempt final period of ownership is available even if the property ceases to be your main residence during that period. The exempt final period remains nine months for most disposals. Disabled persons and care home residents retain the longer three-year exempt period.
- 4.25 On selling your home, not all of the gain may qualify for exemption (for example, where grounds exceed permitted limits). Any chargeable gain

must be reported and tax paid to HMRC within 60 days of completion.

4.26 Letting relief of up to £40,000 (individuals) or £80,000 (couples) is available where a property is let and occupation is shared with the tenant. This relief can apply to multiple properties provided the main residence requirement is satisfied for each.

4.27 This represents a significant restriction compared to pre-6 April 2020 rules, which did not require shared occupation.

4.28 Advice should be sought where there are multiple residences, in that case it is possible to nominate which one is the main one qualifying for exemption.

4.29 Very broadly, where there are multiple residences and the individual is resident in the same jurisdiction as the location of the property with respect to which the nomination has been made, the nomination will automatically be valid for the tax year. Where the individual is not resident in the country where the property is located, a day count test is applied. Where the individual (“P”) has owned the nominated residence for the entire tax year, to meet the test at least 90 days must be spent in “qualifying houses”. A qualifying house is defined as the residence itself and any other residence in the same country that is a dwelling house or part of a dwelling house if at the time any of the following have an interest in the property:

- P;
- P’s spouse or civil partner at that time; or
- an individual who is not P’s spouse or civil partner at that time but is at the time of the disposal.

4.30 Where ownership commences or ends during the tax year, the 90-day requirement is adjusted proportionately.

4.31 For married couples and civil partners, occupation by one spouse or civil partner counts as occupation by both, though there is no double counting.

High Value Residential Property Owned by Companies

4.32 Measures first introduced in the 2012 Budget continue to apply to UK residential property held through companies and similar vehicles, aimed at discouraging the practice of “enveloping”. At that time, property valued above £2 million fell within scope. The 15% Stamp Duty Land Tax charge applied immediately, with Annual Tax on Enveloped Dwellings (ATED) and the associated CGT rules taking effect from April 2013. A range of statutory exemptions remains available where the relevant conditions are satisfied.

4.33 The SDLT rate and the ATED charge:

- were extended with effect from April 2015 to properties that were worth in excess of £1 million as at 1 April 2012 (or the acquisition date if later); and
- were extended with effect from April 2016 to properties that were worth in excess of £500,000 as at 1 April 2012 (or the acquisition date if later).
- The SDLT charge increased from 15% to 17% with effect from 31 October 2024.

4.34 From 1 April 2021, non UK residents purchasing residential property in England and Northern Ireland must pay an additional 2% SDLT surcharge on top of the standard rates. Combined with the higher rates for additional dwellings, this can produce an overall SDLT charge of up to 19%.

4.35 ATED charges remain subject to annual uprating in line with the consumer prices index for the previous September, although increases above CPI may be introduced by the Chancellor where considered necessary.

4.36 The ATED return and the payment of the tax for 2026/27 are both due by 30 April 2026. It is important to remember that five yearly revaluations apply for ATED, which means that for properties held at 1 April 2022 the reference property value is, for 2026/27 and subsequent returns, the market value as at 1 April 2022. The ATED charges for 2026/27 are as follows:

Property Value	Charge
More than £0.5 million but not more than £1 million	£4,600
More than £1 million but not more than £2 million	£9,450
More than £2 million but not more than £5 million	£32,200
More than £5 million but not more than £10 million	£75,450
More than £10 million but not more than £20 million	£151,450
More than £20 million	£303,450

4.37 The rules governing enveloped dwellings remain detailed and the ATED amounts substantial, making it essential to consider available reliefs carefully. For instance, allowing occupation by someone who is not a qualifying individual may cause letting relief to be lost and lead to unnecessary ATED exposure. Professional advice is strongly recommended to avoid unexpected liabilities.

Extension of IHT to overseas property representing UK residential property

only apply to sales and loan repayments after 5 April 2017.

- 4.38 Up to and including 2024/25, an individual's exposure to UK IHT has been determined by whether they are domiciled in the UK. From 6 April 2025, this approach changed and the new Long Term Residence test will replace domicile as the basis for assessing whether an individual falls within the UK IHT regime (see Section 7).
- 4.39 Under the new rules that apply from 6 April 2025, foreign assets will only qualify as excluded property if the individual is not Long Term Resident (see Section 7). The same applies to trusts: excluded property status is preserved only where the settlor was not Long Term Resident at the point the property became subject to the charge. Prior to 6 April 2017, UK residential property could still be kept outside the IHT net by holding it through a non UK company, although this often created exposure to ATED from 2013 onwards.
- 4.40 The regime introduced in 2017 remains fully in force. Broadly, interests in offshore companies that would be close companies if UK resident, as well as interests in comparable opaque structures and in partnerships, cease to be treated as excluded property to the extent that their value is derived from UK residential property. Where this applies, the usual IHT charging provisions operate as if the underlying UK property were held directly.
- 4.41 From 6 April 2017, the following are also within the scope of IHT:
- 'Relevant loans' - broadly a loan is a relevant loan if money or money's worth has been made available to an individual, a partnership or a trustee for: (i) the acquisition of a UK residential property interest; (ii) the making or repayment of a loan to finance the acquisition; (iii) the maintenance of the UK residential property interest; or (iv) the enhancement of the UK residential property interest.
 - Money or money's-worth held or otherwise made available as security, collateral or a guarantee for a relevant loan
 - For a period of two years after the disposal, the disposal proceeds from the sale of a qualifying property interest and, for a period of two years after receipt, funds on the repayment of a relevant loan. These rules

De-enveloping?

- 4.42 Taken together, the post 2017 provisions and the new Long Term Residence rules mean that, outside genuine letting arrangements, there is now rarely a UK tax benefit in holding UK residential property through an offshore structure. Where such structures already exist, professional review is recommended so the tax implications of unwinding them can be weighed against the ongoing cost of retaining them.



5

Pensions

5 Pensions

The current pension tax landscape is complex, subject to frequent change and decisions cannot be taken without both specialist pension investment advice and tax advice.

Pension contributions

- 5.1 Take specific advice to ensure you maximise tax relief on your pension contributions and do not suffer unnecessary tax charges. The Government announced at the Autumn Budget 2024 that they plan to bring pensions within the scope of IHT from 6 April 2027. This means that an individual's pension fund may suffer an IHT charge of up to 40% on their death, with beneficiaries of the pension also being liable to income tax on any subsequent draw-down of the post-IHT amount. Given this significant change in taxation, care is needed as to how pension funds are utilised as part of a wider investment strategy.
- 5.2 The lifetime allowance charge was abolished from 6 April 2023 and the lifetime allowance itself was abolished from 6 April 2024. The lifetime allowance has been replaced by two new allowances: a lump sum allowance of £268,275 and a lump sum and death benefit allowance of £1,073,100. Broadly speaking, a lump sum of up to £268,275 will be tax free, with any excess subject to marginal income tax rates. Monitor the amount within your various pension funds and take advice where these allowances may be exceeded.
- 5.3 Subject to the de minimis exception noted below, effective tax relief on pension contributions is limited to the lower of your earnings for the year and your total available annual allowance for the year. The standard (see below for taxpayers with adjusted income over £260,000, and flexible access to money purchase funds) total available annual allowance for 2025/26 is £60,000 plus any available unused annual allowances for the previous three tax years. If your contributions exceed this figure you will be subject to an Income Tax charge, so consider whether action should be taken now (such as ceasing contributions until after 5 April 2026) if you think the annual allowance may be exceeded.
- 5.4 The pension relief available to taxpayers with adjusted income over £260,000 is reduced. The standard £60,000 annual allowance referred to above is tapered down to a minimum of £10,000 at a rate of a reduction of £1 for every £2 of income. An individual with adjusted income of, say, £320,000 would, therefore, have an annual allowance of £30,000.
- 5.5 Adjustments are made to the annual allowance where the individual makes use of the flexibility introduced with respect to accessing money purchase funds (see the section on Flexible Pensions below), including a reduced money purchase annual allowance of £10,000. This allowance cannot be increased by amounts brought forward.
- 5.6 The ability to utilise any unused annual allowance from 2022/23 will be lost if it is not used before 5 April 2026. The annual allowance for the year of payment is deemed to be used first, and then the unused annual allowance for the prior years (the unused amounts in prior years being used on a first in, first out basis), so to avoid losing the unutilised 2022/23 amount it will be necessary for total contributions in 2025/26 to cover the allowance for 2025/26 and the unutilised capacity in 2022/23.
- 5.7 For those without earned income (including minors), contributions of £2,880 (net) can be made, and an amount equivalent to the basic rate tax (so currently £720) claimed by the pension provider and added to the pension pot (meaning £3,600 in total in pension savings), regardless of the level of income or tax paid for the year.
- 5.8 As explained in previous years' Tax Planning Bulletins, the lifetime allowance reduced a number of times since the "A Day" changes in 2006. As a result of making a "protection" election you may have already secured a higher protected lifetime allowance figure than £1,073,100. Individuals with lifetime allowance protections and/or lump sum protections retain their right to higher levels of allowances and therefore higher levels of tax-free lump sums. Depending on the protection election you made, specified strict conditions may apply with respect to additional pension contributions that can be made.



6

Charitable Donations

6 Charitable Donations

UK tax legislation includes a range of reliefs for charitable giving, some of the most important of which are discussed below. It should be noted that with effect from 6 April 2024 only UK charities are eligible.

Lifetime giving

Gift Aid

6.1 Where there are cash donations, provided a valid Gift Aid declaration is made by the donor (such a declaration being capable of being made retrospectively), the Gift Aid regime will:

- increase the funds received by the Charity (currently the charity will receive an additional amount equivalent to 25% of the amount gifted so a cash gift of £80 will mean the charity receives £100); and
- provide tax relief to higher and additional rate taxpayers by extending their basic rate and higher rate bands.

6.2 For 2025/26, a higher rate taxpayer making a £400 cash donation enables the charity to reclaim £100 (grossing up the gift to £500). The donor's basic rate band is extended by £500, saving £100 in tax. An additional rate taxpayer obtains relief at 45%, saving £125 on the same £400 donation.

6.3 There is, however, a potential trap for the unwary as the Gift Aid rules provide that the donor must pay sufficient income tax or capital gains tax to cover the basic rate tax the charity will reclaim. If the donor's tax liability is insufficient, the difference is collected as a tax charge. In such cases it may be appropriate to make a gift under Gift Aid up to the amount your tax liability can cover, and then an additional gift which is not covered by a Gift Aid declaration.

6.4 Gift Aid should be made by the spouse/civil partner with the highest marginal income. The paperwork must reflect this. Ideally joint accounts would be avoided.

Gift Aid is not available where an individual receives a benefit as a result of the donation unless the benefit is within specified de minimis limits.

Gifts of assets in specie

6.5 Gifts of assets in specie to charity are tax neutral for CGT purposes (that is, the transaction is deemed to take place at neither a gain nor a loss). A gift to a charity of an asset standing at a gain will not, therefore, result in the donor crystallising a gain.

6.6 In addition to the CGT relief, where "qualifying assets" are gifted to charity, Income Tax relief is also available. Broadly, "qualifying assets" are defined as listed securities, units in an authorised

unit trust, shares in an open-ended investment company, an interest in an offshore fund and/or immovable property. The Income Tax relief is available by way of set off against the individual's total income and is equivalent to the market value of the property gifted (less any benefit received by the individual).

6.7 The combination of Income Tax and CGT relief means that, where the asset is standing at a gain, gifting qualifying assets in specie is generally more valuable than the relief for cash gifts (Gift Aid). The relief is even more valuable where an interest in an offshore fund is gifted if that offshore fund is a non-reporting fund since the individual would have been subject to Income Tax, not CGT, on the disposal if it had not been given to charity.

Legacy giving

6.8 Gifts to charity are exempt from IHT. In addition, there is a reduction in the IHT rate to 36% (from 40%) where at least 10% of a person's net estate is left to charity. If you want to make such a charitable bequest take advice to ensure that:

- your Will is drafted to take advantage of this relief; and
- other parts of your Will are updated so that overall it still reflects your wishes.



7

Overseas aspects including Offshore Trusts

7 Overseas Aspects including Offshore Trusts

Recent changes

7.1 The changes to the taxation of non-UK domiciled individuals and trusts have now been enacted through Finance Act 2025. The remittance basis and domicile concepts have been abolished for tax years from 2025/26 onwards.

7.2 The remittance basis is not available for tax year 2025/26 or subsequent tax years, however, provisions relating to remittance of income and gains continue to apply to amounts that were subject to the remittance basis in tax years prior to 2025/26. Unremitted foreign income and gains arising before 6 April 2025 remain taxable when remitted on or after that date unless designated under the Temporary Repatriation Facility.

7.3 The FIG regime is now operational from 2025/26. A 'qualifying new resident' can claim exemption from UK tax on foreign income and gains arising in their first four UK tax years, provided they were non-UK resident for ten full tax years prior to arrival. Unlike the remittance basis, foreign income and gains must be quantified on the tax return, but there is no requirement to keep funds overseas.

Individuals who wish to make a claim under the FIG regime must make a valid claim on their tax return to exempt the specific income or gains. This requires adequate and accurate record keeping, as if no claim for exemption is made, the foreign income or gains will be taxable.

Overseas Workday Relief (OWR) remains available for internationally mobile employees who qualify under the four-year FIG regime, applying to earnings relating to duties performed outside the UK where a valid OWR election is made. Under the post-6 April 2025 rules, this relief is now subject to a cap of the lower of 30% of qualifying employment income or £300,000 per tax year.

For individuals who previously claimed OWR under the remittance basis regime, certain transitional provisions may allow the OWR cap to be disapplied, depending on the individual's circumstances.

7.4 Individuals not qualifying for the FIG regime are assessable on worldwide income and capital gains on an arising basis from 2025/26. UK resident settlors of non-resident trusts are chargeable on foreign trust income as it arises unless they claim under the four-year FIG regime. The settlements code attributes income to settlors where they, their spouse or minor children can benefit. Those who were able to make use of the FIG regime for 2025/26 but are no longer eligible from 6 April 2026 should consider whether any restructuring should be undertaken prior to being assessable on a

worldwide basis. This could include realising non-UK assets standing at a capital gain prior to 6 April 2026, or accelerating non-UK income prior to that date. Capital payments to beneficiaries claiming FIG relief do not match to trust income and gains, preventing 'wash-out' of trust pools, but can enable tax efficient extraction of capital from non-UK trust structures.

7.5 The Temporary Repatriation Facility (TRF) operates between 6 April 2025 and 5 April 2028. Individuals must designate amounts for the TRF on their tax return for 2025/26, 2026/27 or 2027/28, with designation applying from the beginning of the relevant tax year. The TRF allows former remittance basis users to pay UK tax at lower flat rates on unremitted foreign income and gains from their remittance basis period, enabling subsequent remittance with no further UK tax. A 12% tax rate applies to designations made on the 2025/26 and 2026/27 tax return, and 15% to designations made on the 2027/28 tax return.

In addition to the main TRF for individuals, a 'Trust TRF' can also apply in certain circumstances. This can apply where foreign income and gains which arose within a non UK trust structure before 6 April 2025 are 'matched' to capital distributions made to a UK resident beneficiary in the three years on or after 6 April 2025. Once designated, these amounts benefit from the same preferential 12% or 15% TRF tax rate, with no further UK tax on a future remittance. The Trust TRF rules are complex and specific advice in this areas should be sought.

7.6 The IHT residence-based regime replacing domicile took effect from 6 April 2025. These new rules treat individuals who have been UK tax resident for ten of the previous 20 tax years as a Long Term Resident. Long Term Residents are subject to IHT on their worldwide estates. Long Term Residents who cease UK tax residence will remain subject to IHT on their worldwide estate for between three and ten years, depending on their length of UK tax residence prior to departure.

7.7 The IHT treatment of relevant property trusts is now determined by the settlor's long-term residence status at the date of the relevant event.

7.8 The new rules are complex and require careful consideration. Please speak to your usual contact to discuss the changes to the taxation of non-UK domiciled individuals and trusts in more detail, and to identify any potential pitfalls, as well as opportunities that may arise by proactive planning.

Offshore Non-Compliance

7.9 HMRC write to taxpayers for whom they have received reports under Common Reporting Standards tax information and exchange agreements. They are also using information from the new Register of Overseas Entities owning UK land. If you receive such a letter please contact your tax adviser before replying.

- 7.10 The extended 12 year assessment time limit remains in place for income tax and capital gains tax where a loss of tax involves an offshore matter or offshore transfer. HMRC are increasingly relying on this extended window when reviewing historical offshore issues.
- 7.11 If you have any concerns about offshore non-compliance you should take specialist advice urgently, so that a timely disclosure to HMRC can be considered.

Non-Residents

- 7.12 In many instances, if you are UK resident or non-resident for part of a tax year you will be resident for the whole year. As we approach the end of the tax year, therefore, it is imperative that you are aware of the residence rules so you can, if applicable, plan your move to optimise your tax position. Effective from 6 April 2013 the UK has a statutory residence test (SRT) for the purposes of Income Tax, CGT and, in so far as it is relevant, IHT and Corporation Tax.
- 7.13 The SRT has been designed to give a definitive answer in determining an individual's residence status. There are, however, significant potential complexities. Advice is required to ensure that you fall on your desired side of the residence line if either non-residence or UK residence is important to your tax position. In addition, as the SRT position is so fact dependant, on-going reviews are advisable and new advice will be necessary if the facts change.
- 7.14 Pre-arrival and pre-departure planning is vital so as to mitigate tax liabilities. This is particularly the case where you are leaving the UK for a temporary period (in which case various anti-avoidance provisions may apply in the year of return). To tie in with the statutory split year provisions, an individual leaving the UK has to be non-UK resident for more than five years to avoid the anti-avoidance provisions:
- If the taxpayer falls into one of the split year cases when leaving and/or arriving then non-UK residence for five years and a day will be sufficient.
 - In contrast, if neither the year of departure nor arrival can be split (such that the individual is UK resident in both tax years) the individual will likely need to be non-UK resident for at least six tax years.

8 Conclusion

Accurate and robust tax planning and reporting is vitally important in the current environment of complex legislation and anti-avoidance measures, and HMRC focus on closing the tax gap.

But as these notes demonstrate, there is still scope for review of your tax affairs, and implementation of uncontroversial tax planning. The end of the tax year provides the perfect time for reflection to ensure you are not missing an opportunity. We would be pleased to discuss any of the matters raised in this Bulletin with you.

What to do next...

This Bulletin is designed solely as a summary of complex and detailed legislation. No reliance should be placed on it without appropriate professional advice..

If you have seen anything relevant to you which you are interested in considering in more detail, please call the Rawlinson & Hunter LLP Partner who normally acts for you. If you are not one of our regular clients but would like more information or advice, please contact us using the details on the right.

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