

Year end tax planning



Introduction

Year-end tax planning is crucial for individuals looking to optimise their tax position and reduce liabilities by utilising available allowances and reliefs. This factsheet highlights strategies to consider as the personal tax year approaches its end on 5th April.

Key strategies and allowances

Personal Allowance

Ensure you're fully utilising your personal allowance, which is tax-free income up to a certain limit. For the 2025/2026 tax year, this is set at £12,570.

Use allowances

Multiple allowances are available, such as the use of home allowance and sundry gift allowance. Use them or lose them!

Savings Allowance

Depending on your income tax band, you might be eligible for a savings allowance of up to £1,000 tax-free interest on savings.

Dividend Allowance

You can earn up to £500 in dividends before you need to pay tax.

Maximise ISA Contributions

ISAs (Individual Savings Accounts): You can contribute up to £20,000 per year across your ISAs with all gains and returns free from income and capital gains tax.

Pension Contributions

Contributions to your pension are tax-free up to a certain limit. The annual allowance is generally £60,000, but may be lower if you have a high income. Contributions can reduce your taxable income and potentially bring you into a lower tax bracket.

Charitable Contributions

Increase your donations through Gift Aid to get more from your contributions. For every £1 you give, your charity can claim an additional 25p from HMRC. If you're a higher or additional rate taxpayer, you can claim back the difference between the rate you pay and basic rate on your donation.

Review Investments and Savings

Portfolio Management: Review your investment portfolio for any opportunities to sell investments at a loss to offset against gains made elsewhere, utilising your CGT allowance efficiently.

High-Interest Savings Accounts: Consider your savings options—higher interest accounts might offer better returns but could affect your savings allowance

Timing of Disposals

If you are planning any large disposals, such as selling property or shares, consider the timing to manage your CGT liability. If possible, spread the disposals across multiple tax years to maximise use of your CGT allowance.

Tips for Effective Year-End Tax Planning

- **Start Early:** Begin reviewing your tax situation well before the year-end to make the most of planning opportunities.
- **Seek Advice:** Consult with a tax advisor to understand the complexities of your tax situation and tailor strategies to your circumstances.
- **Keep Accurate Records:** Maintain thorough records to support any claims or deductions and facilitate easier submission of your tax return.

Parry & Parry helps clients manage their tax affairs throughout the fiscal year and can provide a detailed strategy to help you manage your tax.

Contact us at hello@parryandparry.co.uk if you'd like to discuss how we can help you.