Personal Tax Year-End Planning Guide 2026

This guide is designed to help you to plan for your Tax Year-End.

Pre-5 April 2026 Checklist

As the 2025/26 tax year draws to a close, now is the time to take stock and act. The actions below can make a meaningful difference to your tax position. At Lexington Wealth, we believe that great financial planning is proactive, not reactive. Review each point and reach out to us if you would like to discuss any of them personally.

1. Capital Gains Tax ('CGT') Planning

- Have you used your CGT annual exemption or crystallised capital losses to offset gains?
- If you are planning a BADR-qualifying disposal, will the exchange of contracts complete before 6 April 2026 to attract the current 14% rate on up to £1m of qualifying gains?

2. Pension Contributions

- Have you maximised your pension Annual Allowance for 2025/26, including any unused allowances carried forward from the previous three years?

3. Tax-Efficient Investments

- Have you and your family each contributed the full £20,000 ISA, £4,000 LISA and £9,000 JISA allowance for 2025/26?
- Have you considered EIS, SEIS or VCT investments? Remember — the income tax relief rate for VCTs reduces from 30% to 20% from 6 April 2026.

4. Protecting Your Allowances if your income is:

- Marginally over £240,000 is there planning to reduce it below £240,000 so you retain your Pension Annual Allowance at £60,000?
- Just over £100,000, have you considered pension contributions or Gift Aid donations to bring your taxable income below that threshold and reclaim your full personal allowance?
- Just over £60,000 and you have minor children, have you considered pension contributions or Gift Aid donations to bring your taxable income below to retain the full child benefit?
- Over £25,000 (depending of Student Loan Company (SLC) Plan) with SLC debt, Is there planning that can be arranged to mitigate your Student Loan Company repayments.

5. Dividends

- Have you declared dividends of at least £500 to make use of each shareholder's dividend allowance?
- Should you bring forward further dividends ahead of the 2% rate increase from 6 April 2026?

6. Inheritance Tax ('IHT')

- Have you made your annual IHT-exempt gifts? Have you reviewed whether to establish or contribute to trusts, particularly using BPR-qualifying assets before the rules tighten? Are your wills current and reflective of your wishes?

Always take personalised tax advice before implementing any strategy. If you would like to talk through any of these points, please contact us on 01793 771093.

A Message from Warren Shute

As we approach the end of the 2025/26 tax year, I want to be direct with you: the tax landscape has changed significantly, and I believe that understanding what is happening, and why it matters to you is one of the most valuable things we can do together.

The most headline-grabbing changes stem from the October 2024 Budget's restrictions to Business Property Relief (BPR) and Agricultural Property Relief (APR). These reliefs, previously uncapped, will be substantially curtailed from 6 April 2026. For business owners, farmers and landowners who have long relied on these exemptions as the cornerstone of their estate planning, this is a significant shift. In practical terms, assets above £2.5m will now attract a 20% effective IHT charge on death, where previously there may have been none.

The window for planning ahead of these changes is closing fast. If you have not yet reviewed your position, I would strongly encourage you to do so before 5 April 2026.

Looking further ahead, pension reforms from April 2027 will bring unused pension funds into the scope of IHT. This fundamentally reverses the conventional wisdom of treating pensions as the 'last pot to touch'. In many cases, I may suggest the opposite, from April 2027 - spending pension assets first and preserving cash and other investments for your estate.

An Inheritance Tax Insured Trust Fund arrangement - combining a whole of life insurance contract held within a suitable trust has become one of the most effective and widely used strategies for protecting a family's estate from IHT. This approach can work particularly well when coordinated alongside pension drawdown, creating a powerful and tax-efficient legacy planning structure.

Alongside these structural changes, we continue to face the slow squeeze of frozen thresholds. The nil rate band has sat at £325,000 since 2009 and will remain frozen until at least 2031. Combined with rising property values, this means more families than ever are being drawn into the IHT net, often without realising it. Younger families especially should be thinking now about long-term, tax-efficient structures to protect their wealth for future generations.

The November 2025 Budget was comparatively quiet, but it still brought incremental increases to dividend, savings and property income tax rates, alongside extended threshold freezes. The cumulative effect of these changes over recent years has been a steady increase in the overall tax burden and I believe sound planning has never been more important.

The replacement of the non-domicile regime with a residence-based system has changed the landscape for those considering leaving the UK, and specialist advice is essential. For former non-doms still in the UK, the Temporary Repatriation Facility offers a valuable but time-limited opportunity to remit untaxed overseas income and gains at reduced rates (currently 12%, rising to 15% for 2027/28). This window closes in April 2028.

As ever, my message is this: great financial planning is not about reacting to change, it is about anticipating it. Please do read through this guide, and do not hesitate to contact us if anything prompts a question or a conversation.

With warm regards,

Warren Shute CFP, MSc
Chartered Financial Planner
Lexington Wealth Management

Individual Savings Accounts (ISAs)

Why ISAs Still Matter

The ISA has been with us for over 25 years and remains one of the most powerful tools in personal financial planning. Simple, flexible and genuinely tax-free, on both income and gains, the ISA wrapper is something I recommend to virtually every client, regardless of their wealth level. The annual allowance is £20,000 per person and does not roll over; if you do not use it, you lose it.

The compounding effect of a consistently funded ISA over time is remarkable. A couple each investing the full allowance for 25 years can accumulate a £1 million pot before accounting for any investment growth, generating entirely tax-free returns for life. With planned increases to dividend and interest income tax rates coming in 2026 and 2027 respectively, the ISA shelter becomes even more valuable going forward.

ISA Summary – 2025/2026

- Annual allowance: £20,000 per adult. Use it or lose it — it does not carry over.
- Allowance can be split across cash, stocks & shares, innovative finance, and lifetime ISAs.
- Tax-free on all income and capital gains — now and in retirement.
- Transact's ISAs are flexible: you can withdraw and replace funds within the same tax year without losing your allowance.
- Junior ISA (JISA) limit: £9,000 per child — one of the few ways to build tax-free capital for your children.
- From 6 April 2027, the Cash ISA allowance will reduce from £20,000 to £12,000 for under-65s. The total ISA allowance remains at £20,000.

Lifetime ISA (LISA)

The LISA is open to anyone aged 18–39 and allows contributions of up to £4,000 per year (within your overall £20,000 ISA limit) until age 50. The Government adds a 25% bonus — up to £1,000 per year making this a powerful tool for first-time buyers or long-term retirement saving.

Withdrawals are penalty-free only if used for a first home purchase or taken after age 60. In any other circumstances, a 25% withdrawal charge applies. The Government has announced plans to replace the LISA from 2028 with a new first-time buyer savings product but existing LISA holders are expected to be able to continue under current rules. If you are considering opening one, it may be worth doing so soon, even with a nominal contribution, to preserve your options.

Junior ISA (JISA)

A JISA allows up to £9,000 per year to be invested for a child under 18. It can be opened by a parent or guardian, but anyone including grandparents can contribute. Crucially, any income generated belongs to the child for tax purposes, not the parents.

At 18, the JISA converts to a standard ISA and the child gains full control. This makes the JISA an excellent vehicle for grandparents who wish to make tax-efficient gifts that reduce their estate for IHT purposes and in many cases, such gifts may qualify as normal expenditure out of income.

Warren's Planning Tip

Consider opening a LISA now if you might want one even a £1 contribution secures your access under current rules before the product changes in 2028.

Grandparents: the JISA is one of the most efficient ways to gift to grandchildren. Regular contributions may qualify as normal expenditure out of income for IHT, making it doubly tax-efficient.

Inheritance ISAs

When a spouse or civil partner dies, the surviving partner can inherit their ISA wrapper allowance including its tax-free status through an Additional Permitted Subscription (APS). The amount you can subscribe equals the value of the deceased's ISA at the time of death, and this does not affect your own annual allowance. This must be done within three years of the date of death, or 180 days from the completion of the estate administration whichever is later.

Changes Coming to ISAs

From 6 April 2027, the Cash ISA allowance will fall from £20,000 to £12,000 for those under 65. The Government's aim is to encourage more investment through stocks and shares ISAs. Additionally, interest earned on uninvested cash held within a stocks and shares ISA is set to become taxable. More detail is expected in due course.

My view is that this further strengthens the case for investing your ISA allowance rather than simply holding it in cash. If you would like to discuss your ISA strategy, please speak to Lexington Wealth.

Income Tax Allowances

Protecting Your Personal Allowance

One of the costliest tax traps I see regularly is the £100,000 income threshold. For every £2 your income exceeds £100,000, you lose £1 of your personal allowance. By the time income reaches £125,140, the personal allowance is gone entirely, meaning income in that band is effectively taxed at 60%. That is a serious and often preventable cost.

If your income is in this range, there are several strategies worth considering:

1. Make a personal pension contribution to extend your basic rate band — subject to Annual Allowance rules.
2. Make charitable donations under Gift Aid, which are treated as reducing your adjusted net income.
3. Consider the merits of tax-efficient investments such as EIS or SEIS.
4. If you own a company, consider whether dividends should be timed to avoid falling in this band.

Warren's Planning Tip

Parents take note: similar effective marginal rates arise from the High-Income Child Benefit Charge (income between £60,000–£80,000) and loss of the 30-hours free childcare allowance above £100,000. In some cases, the marginal rate can exceed 100%. If you are near these thresholds, planning before 5 April 2026 could be

Personal Savings Allowance and Starting Rate Band

Since April 2016, most savings interest is paid gross. The Personal Savings Allowance (PSA) allows basic rate taxpayers to receive up to £1,000 of interest tax-free, and higher rate taxpayers up to £500. Additional rate taxpayers receive no allowance.

There is also a 0% 'starting rate' band for savings: if interest income sits just above your personal allowance, up to £5,000 can be received tax-free. This can benefit additional rate taxpayers too, for example, those with a modest salary, some interest income, and significant dividend income.

Warren's Planning Tip

Business owners: consider charging interest on director's loans to your company. It is tax-deductible for the company (saving up to 25% corporation tax) and may fall entirely within your PSA and starting rate band making it one of the most tax-efficient methods of profit extraction available.

Also consider rebalancing investment portfolios between spouses to ensure each partner fully utilises their savings allowance.

Dividend Allowance

The tax-free dividend allowance remains at £500 for 2026/27. Although modest, it is still worth ensuring every shareholder in a family company uses it. For higher rate taxpayers, that represents a 33.75% saving (rising to 35.75% from 2026/27), and for additional rate taxpayers, 39.35%.

Married couples should review how investments are held between them to make full use of both allowances. In family companies, consider whether dividends can be declared ahead of 5 April 2026 to take advantage of current lower rates, dividends can be declared in the tax year and held on loan account in the company until needed.

Warren's Planning Tip

Where an individual has no other income, they can receive a dividend of up to £13,070 in 2025/26 without any tax at all and up to £50,270 before higher rate tax applies. Used well, this is a highly efficient planning tool.

If you are a shareholder with unused basic or higher rate tax bands, consider taking a dividend before 6 April 2026, before the 2% rate increase takes effect.

Current Tax Rates

The table below shows the key income tax rates for 2026/27. Dividend rates increase from 6 April 2026; other income tax rates on earnings and interest remain unchanged for that year.

Income Tax Rates 2026/27

Rate Band	Other Income	Dividends
Basic rate	20%	10.75%
Higher rate	40%	35.75%
Additional rate	45%	39.35%

From 6 April 2027, income tax rates on savings and property income will each increase by 2% at basic, higher and additional rates rising to 22%, 42% and 47% respectively.

Income Tax Thresholds

Most personal tax thresholds including the personal allowance of £12,570 and the basic rate band (income up to £50,270) have been frozen since April 2021 and will remain so for the foreseeable future. In a period of inflation, this 'fiscal drag' has steadily pushed many taxpayers into higher brackets. The additional rate threshold of £125,140 is also unchanged.

Warren's Planning Tip

The impact of frozen thresholds is cumulative. Every year that inflation runs above zero, more of your income is taxed at higher rates. This makes ISAs, pensions and tax-efficient investments ever more valuable as shelters.

National Insurance Contributions (NIC)

NIC rates and thresholds are unchanged for 2026/27.

Class	Rate
Class 1 (Employees)	8% / 2%
Class 1 (Employers)	15%
Class 2 (self-employed)	Abolished*
Class 4 (self-employed)	6% / 2%

** Self-employed individuals may voluntarily pay Class 2 NICs at £3.50 per week to maintain their state pension and benefit entitlements.*

Corporation Tax

The headline rate of corporation tax remains at 25%. For profits between £50,000 and £250,000, the effective marginal rate is 26.5%. Companies with profits under £50,000 continue to benefit from the small profits rate of 19%.

Warren's Planning Tip

Consider drawing income from a family company as interest or rent where possible. These routes typically attract lower combined tax rates than salary or dividends, as they carry no National Insurance liability.

Pensions

Despite years of reform and legislative tinkering, pensions remain one of the most powerful tax-planning tools available. They are, in my view, non-negotiable as part of a comprehensive wealth strategy particularly before the significant changes coming from April 2027 change the picture again.

Annual Pension Allowance

For 2025/26, the annual allowance is £60,000. This is the maximum you can contribute to a pension and receive tax relief on combining both personal and employer contributions. You can also carry forward unused allowances from the three previous tax years, provided you were a member of a pension scheme in those years.

Importantly, unused allowances from 2022/23 will be permanently lost after 5 April 2026 if not used. The current year's allowance is always used first, with carry-forward applied on a first-in, first-out basis.

Personal contributions are limited to the greater of £3,600 gross or 100% of relevant UK earnings. Rental and dividend income does not count as relevant earnings, but employment income, self-employment profits and trading partnership income do.

Warren's Planning Tip

Act before 5 April 2026: the 2022/23 carry-forward allowance expires at year-end. If you have not maximised pension contributions in recent years, now is the time to review how much carry-forward remains available and whether you can use it.

You can also contribute up to £2,880 net (£3,600 gross) into a pension for children and grandchildren even if they have no earnings. These gifts may qualify as normal expenditure out of income for IHT purposes.

Restrictions for Higher Earners

If your 'adjusted income' exceeds £260,000 a figure that includes employer pension contributions, your annual allowance is tapered by £1 for every £2 above this threshold, subject to a minimum allowance of £10,000. This taper does not apply if your net income is below £200,000.

Salary Sacrifice Changes (from April 2029)

From 6 April 2029, the NIC exemption on salary sacrifice pension contributions will be capped at £2,000 per employee per year. Contributions above this will attract both employee and employer NIC, reducing the overall benefit. This does not affect income tax relief, so pensions remain highly efficient but the window to maximise salary sacrifice contributions is narrowing.

Warren's Planning Tip

If you currently benefit from salary sacrifice pension arrangements, particularly if you earn between £100,000 and £125,000 and face the 60% effective tax rate, consider maximising your contributions while full NIC exemption still applies. The deadline is April 2029, but the earlier you act, the more benefit you will accumulate.

Pensions and Inheritance Tax — A Fundamental Shift

Until recently, conventional wisdom was to treat your pension as the last pot to draw upon because it fell entirely outside your estate for IHT purposes. From 6 April 2027, this advice is being turned on its head.

Unused pension funds will come into scope for IHT from that date, in addition to the income tax already payable on extraction. In many scenarios, it will now make more sense to draw down pension assets first and preserve other savings and investments in your estate. This is a significant change and one I would encourage every client to review with us.

Property Taxes

Mortgage Interest Restriction

Finance costs for residential lettings are only deductible at the basic rate of 20%, regardless of your personal rate of tax. This restriction can significantly erode net returns for higher and additional rate taxpayers and is worth reviewing carefully if it applies to you.

One response is to incorporate your property portfolio, companies can typically claim full relief for interest against profits, and the coming increases to property income tax rates from 2027/28 may make incorporation more attractive still. However, this is complex territory. The CGT and Stamp Duty Land Tax costs of transferring properties into a company can be prohibitive, and professional advice is essential before acting.

Warren's Planning Tip

Higher or additional rate taxpayers with residential rental properties should consider whether transferring properties to a lower-earning spouse makes sense and whether incorporation merits a proper analysis. Both options have their pros and cons and depend heavily on your specific portfolio and circumstances.

60-Day CGT Reporting

If you sell a UK residential property after 5 April 2020, you are required to report the gain and pay any tax due to HMRC within 60 days of completion. Exemptions apply if the property is fully covered by Principal Private Residence relief, or if the gain falls within your annual CGT exemption. Note that this reporting obligation applies in addition to any requirement to include the gain in your self-assessment return.

Principal Private Residence (PPR) Relief

PPR relief exempts the gain on disposal of your main residence. If you have owned more than one property that you have used as a main residence at different times, you may be able to elect which property benefits from PPR relief and you should consider whether doing so protects the property with the greatest unrealised gain.

CGT on Residential Property

As of 30 October 2024, CGT rates on residential property were realigned with rates on other assets. The current headline rate is 24% for 2025/26, with an 18% lower rate applying to gains covered by your basic rate band. These rates are unchanged for 2026/27.

Income Tax on Property — Upcoming Increases

From 6 April 2027, income tax rates applying to property income will increase by 2% at each band:

Rate Band	2026/27	2027/28 onwards
Basic rate	20%	22%
Higher rate	40%	42%
Additional rate	45%	47%

These increases further sharpen the case for reviewing your property income strategy before they take effect.

Capital Gains Tax (CGT)

Annual Exemption — Use It or Lose It

The annual CGT exemption for 2025/26 is £3,000 - unchanged from the prior year. This exemption cannot be carried forward, so if you do not use it in the tax year, it is gone. As the year-end approaches, it is worth reviewing your portfolio to see whether gains can be crystallised to take advantage of it.

Married couples and civil partners have a significant advantage here: assets can be transferred between spouses at nil gain/nil loss, effectively giving you access to two annual exemptions. Consider transferring assets before a sale to ensure both partners' allowances are used.

Crystallising Losses

If you hold investments standing at a loss, consider selling them to offset against gains realised in the year, including those in previous years that have been carried forward. Be mindful of the 30-day 'bed and breakfast' rule: you cannot sell and immediately reacquire the same investment and still claim the loss. However, there are effective alternatives:

- 'Bed and spouse' - sell the shares and have your spouse repurchase them with the proceeds. The transfer alone is not sufficient; you must genuinely sell and repurchase.
- 'Bed and ISA' - sell the shares and repurchase within your ISA wrapper within 30 days.
- 'Bed and Pension' - sell and repurchase through your pension.

Business Asset Disposal Relief (BADR) and Investors' Relief

Both reliefs provide a reduced CGT rate on qualifying disposals. Currently, disposals qualifying for either relief attract tax at 14%, subject to a £1m lifetime cap per relief. From 6 April 2026, this rate increases to 18%.

BADR applies broadly to disposals of personal trading businesses. Investors' Relief is less well-known but highly valuable for investors in unquoted trading companies who are not employees or officers of the company. The key conditions are:

- Unlisted trading company shares, subscribed for by the investor or their spouse.
- Neither the investor nor any connected person can be an officer or employee of the company.
- Ordinary shares, fully paid in cash, and held for at least three years.

Warren's Planning Tip

If you are planning a BADR-qualifying disposal, time matters. Completing exchange before 6 April 2026 locks in the current 14% rate, a 4% saving that could be significant on a £1m gain.

Make sure your accountant/tax adviser has full details of all your investments. Investors' Relief is frequently missed when reporting disposals, yet it can produce substantial tax savings.

Inheritance Tax (IHT)

IHT is one of the areas where I see the most anxiety and the most opportunity for meaningful planning. With the nil rate band frozen at £325,000 since 2009 (and remaining frozen until at least 2031), and property values continuing to rise, more families are coming into scope for IHT than ever before. The good news is that there is still much that can be done.

Key IHT Thresholds

- Nil rate band: £325,000 per person (frozen until at least 2031).
- Residence nil rate band: £175,000 per person when a UK home passes to a direct descendant.
- Combined allowances for a married couple with children and a family home: up to £1,000,000.
- Combined allowances for those without children: up to £650,000 (two nil rate bands only).
- IHT rate on death: 40% on the estate above the available threshold.

Lifetime Gifts — The Most Powerful Tool

Any gift made more than seven years before death falls entirely outside your estate for IHT. Once three years have passed, taper relief reduces any tax on failed gifts. Only the value at the date of gift is charged, subsequent growth is always IHT-free. There is genuinely no downside to making gifts early, provided you are comfortable doing so.

Where gifts involve chargeable assets (rather than cash), CGT may also be a consideration, but various gift holdover reliefs can defer that charge in appropriate circumstances.

Annual Gift Exemptions

- £3,000 annual gift exemption per donor, free from IHT and not subject to the seven-year rule.
- Small gifts: up to £250 per recipient per year to as many people as you like.
- Wedding gifts: up to £5,000 for a child, £2,500 for a grandchild, £1,000 for anyone else.

Regular Gifts Out of Income

One of the most underused IHT exemptions is the 'normal expenditure out of income' exemption. If you can demonstrate a regular pattern of giving from your surplus income, rather than capital, those gifts are immediately outside your estate, regardless of when you die. This is particularly powerful for those with high ongoing income.

The Residence Nil Rate Band

The residence nil rate band (RNRB) provides an additional £175,000 per person where a UK home passes on death to a lineal descendant. It can be transferred to a surviving spouse on first death, and can be used by the survivor on second death, creating a potential combined allowance of £350,000 per couple, in addition to the standard nil rate bands.

The RNRB is tapered by £1 for every £2 the net estate exceeds £2m and is lost entirely above £2.35m (or £2.7m for a joint estate). Families in this bracket should seek specific advice.

Trusts

Trusts remain a highly effective IHT planning tool. Each person can contribute their nil rate band of £325,000 into a trust every seven years without IHT implications. The asset is then outside the estate but, importantly, you can retain a degree of control.

With the nil rate band frozen until at least 2031, using it regularly during lifetime is more important than ever. New trusts can be established every seven years, allowing repeated use of this allowance.

Warren's Planning Tip

If your will is not current or has not been reviewed since a major life change (marriage, divorce, children, significant assets), please make reviewing it a priority. Many families, particularly after marriage, are living with wills that no longer reflect their intentions or are legally revoked.

Family Investment Companies (FICs)

A Family Investment Company is a bespoke structure that allows you to pass wealth to the next generation while retaining control and allowing growth to accrue outside your estate. FICs can be structured in many ways from passing on existing wealth to simply ensuring future growth builds up in a vehicle that the next generation will inherit more efficiently. They are particularly attractive for those who are not comfortable making outright gifts but want to start reducing their estate.

IHT: Business property Relief (BRP) and Agricultural Property Relief (APR)

The changes to BPR and APR announced in the October 2024 Budget represent the most significant shift to IHT planning in a generation. If you own a business, farmland or agricultural assets, these changes should be front of mind.

Key Change from 6 April 2026

- Previously: 100% BPR/APR relief on all qualifying assets - effectively unlimited.
- From 6 April 2026: 100% relief on the first £2.5m of qualifying assets per person; only 50% relief on the remainder.
- This creates an effective IHT rate of 20% on death for values above £2.5m.
- On lifetime transfers into trust: 10% effective rate above the threshold.
- On 10-year trust charges: 3% effective rate.
- The £2.5m allowance is now transferable between spouses (announced in the November 2025 Budget).

What This Means in Practice

For many business owners, particularly those whose wealth is concentrated in a single family trading company, the previous position was simple: hold the shares, pass them on death, no IHT. That is no longer the case for estates above £2.5m.

Those individuals now face a potentially significant IHT exposure that did not exist before. The window to act before these rules come into force on 6 April 2026 is closing. After that date, the options for transferring high-value assets out of the estate without triggering a charge become considerably more limited.

The Transferable BPR Allowance

The November 2025 Budget brought some welcome news: the BPR/APR allowance will now be transferable between spouses, mirroring the existing treatment of the nil rate band. This means a married couple can pass BPR/APR qualifying assets of up to £5m on second death with no IHT (excluding other nil rate band allowances).

Warren's Planning Tip

Even with a transferable allowance, business owners should consider equalising share ownership between spouses. If the BPR allowance on first death is used to pass shares to someone other than the surviving spouse, there are potentially significant additional savings on second death due to the way minority holdings in unquoted companies are valued for tax purposes.

Trusts should still be considered central to planning. From 6 April 2026, up to £3.15m of BPR/APR qualifying assets can be placed into trust every seven years (the £2.5m relief plus the £325,000 nil rate band). Paying a 3% IHT charge every 10 years is, in almost every case, far preferable to a 20–40% charge on death.

What Should You Do?

For clients with significant business or agricultural assets, I would strongly encourage an immediate review with your accountant/tax adviser. Options include:

- Establishing or funding trusts with qualifying assets before 5 April 2026.
- Equalising share ownership between spouses to optimise use of the transferable allowance.
- Making outright gifts of shares to family members during lifetime - particularly for shares expected to grow significantly in value.
- Exploring growth share structures that allow future value to accrue outside the estate.

Each of these strategies carries its own implications for CGT, SDLT and ongoing control. They require careful, tailored advice, please speak to your accountant/tax adviser and Lexington Wealth as soon as possible if this is relevant to you.

Making Tax Digital (MTD)

Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) represents a significant change to how sole traders and landlords report their income. From 6 April 2026, quarterly digital reporting becomes mandatory for those above the threshold adding new software requirements and filing obligations. Preparation now will avoid unnecessary pressure.

Who Is Affected and When?

Mandatory Start Date	Qualifying Income Threshold	Assessment Tax Year
6 April 2026	Above £50,000	2024/25
6 April 2027	Above £30,000	2025/26
6 April 2028	Above £20,000	2026/27

Qualifying income means gross rental income or self-employment income before any expense deductions. Where you own a share of a rental property, only your share counts toward the threshold.

Quarterly Reporting Deadlines

Quarter	Tax Period	Filing Deadline
Q1	6 April – 5 July	7 August
Q2	6 July – 5 October	7 November
Q3	6 October – 5 January	7 February
Q4	6 January – 5 April	7 May

A self-assessment tax return must still be submitted by 31 January each year. In total, those within MTD will need to file five returns annually. Tax payment dates 31 January and 31 July are unchanged.

Leaving the MTD Regime

Once registered, you remain within MTD until your qualifying income falls below the relevant threshold for three consecutive tax years. However, if you cease all self-employment and rental income activity (for example, by selling all rental properties), you can deregister sooner.

Warren's Planning Tip

If your rental income is close to the £50,000 threshold, there may be opportunities to stay below it for example, by transferring a share of a property to a spouse to split the qualifying income. This is a relatively straightforward step that could defer MTD obligations by one or more years.

If you are above the threshold and not yet using compliant software, now is the time to act please contact your accountant/tax advertiser or Lexington Wealth.

How Lexington Wealth Can Help

At Lexington Wealth, our approach has always been to build financial plans around the whole person, not just the numbers. Tax planning is not an end in itself; it is one of several levers we use to help you build, protect and ultimately pass on the wealth you have worked so hard to create.

The changes detailed in this guide are real and time-sensitive. Some of the most significant particularly around BPR, APR and VCT relief rates have a hard deadline of 5 April 2026. Others, like the pension and ISA opportunities, are available every year but often underutilised.

If any section of this guide has prompted a question, or if you would like to review your overall tax position before year-end, please do reach out. We are here to help you make the most of what is available to you, now and in the years ahead.

Contact us on:

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