bkplus

Year End Tax Planning Guide **2025/26**

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Introduction

As we approach 5 April 2026, now is the time to review your tax position and make the most of available opportunities before the year end.

This guide is designed to help you navigate the latest tax changes and identify planning points that could make a real difference to you and your business. We've kept it practical and focused, highlighting where early action can protect cash flow, reduce risk and improve longer-term outcomes.

Whether you're running a company, managing property, or planning for your family's future, we're here to help you make informed decisions.

What's Changed This Year

A number of important changes are taking effect, many of which make proactive planning more important than ever:

- Making Tax Digital for Income Tax begins from April 2026 for qualifying sole traders and landlords
- Dividend tax rates increase from 6 April 2026
- Separate tax rates for property income are introduced from April 2027
- Capital allowance rates are changing, with new enhanced reliefs available
- Inheritance Tax is being extended to unused pension funds
- Business Property Relief and Agricultural Property Relief are being reformed
- Business Asset Disposal Relief is becoming more expensive

These changes affect businesses, property owners and families alike. The sections below set out the key areas to review before the year end.

For Companies and Business Owners

Planning Issues for Companies

Corporation Tax rates continue to depend on the level of taxable profits:

- £0 to £50,000: 19% (small profits rate)
- £50,001 to £250,000: 25% less marginal relief
- Over £250,000: 25% (main rate)

Companies with profits between £50,000 and £250,000 effectively pay tax at up to 26.5% due to marginal relief. Where there are associated companies, these thresholds are shared, making accurate planning essential.

Action point: Maximising deductions is particularly important if your profits fall within the marginal relief zone. Reviewing expenditure and claims before the year end can make a meaningful difference.

Capital Allowances: What's New

Two significant changes take effect from April 2026:

- The main Writing Down Allowance reduces from 18% to 14%
- A new 40% First Year Allowance becomes available from 1 January 2026 for main-rate plant and machinery, with fewer restrictions than Full Expensing

Unlike Full Expensing, the new 40% allowance applies to many leased assets, widening its usefulness. The Annual Investment Allowance remains at £1 million, continuing to provide generous relief for qualifying expenditure.

Action point: Timing capital investment carefully is increasingly important. We can help you decide whether to rely on the AIA or enhanced allowances to maximise relief.

Research & Development (R&D) Claims

R&D relief can deliver significant tax benefits, but claims are now subject to much greater scrutiny.

Key changes include:

- Mandatory notification to HMRC for first-time claimants within strict deadline period
- Additional information forms submitted with Company Tax Returns
- Higher standards of evidence and documentation

The regime has also been restructured, with a merged RDEC scheme and enhanced support for R&D-intensive loss-making SMEs.

Action point: Speculative or poorly supported claims carry risk. We can help assess eligibility and ensure any claim is robust, compliant and defensible.

Profit Extraction Planning

Choosing how to extract profits from a company has become more complex as tax rates and allowances change.

Dividends

Dividend tax rates increase from 6 April 2026:

- Basic rate: 10.75%
- Higher rate: 35.75%
- Additional rate: 39.35%

The Dividend Allowance remains just £500.

Action point: There may be a short window to accelerate dividend payments before 6 April 2026 to access lower rates, provided company reserves and formalities allow.

Salary and Bonuses

Salary remains deductible for Corporation Tax and counts as relevant earnings for pension contributions. Employment Allowance now allows eligible businesses to reduce employer National Insurance by up to **£10,500** per year.

Bonus payments can also be effective where timed correctly, allowing Corporation Tax deductions while managing personal tax exposure.

Pension Contributions

Employer pension contributions remain one of the most tax-efficient extraction methods:

- Corporation Tax relief for the company
- No Income Tax or NICs for the individual

Future changes will restrict NICs relief on salary sacrifice arrangements, but employer contributions outside salary sacrifice remain fully exempt.

Dealing with Directors' Loan Accounts

HMRC continues to focus on directors' loan accounts.

If a loan is not repaid within nine months and one day after the year end, a Corporation Tax charge (the s455 charge) applies. This rate increases to 35.75% from 6 April 2026.

Action point: Review loan balances early and plan how they will be cleared to avoid unnecessary tax charges and cash-flow delays. Watch out for complex "Bed and Breakfasting" anti avoidance rules.

Tax Efficient Business Motoring

Electric and low-emission vehicles continue to offer attractive tax benefits, though these are being phased down.

- 100% First Year Allowances remain available on new zero-emission cars until April 2027
- Benefit-in-kind rates for electric vehicles are rising gradually
- Salary sacrifice remains effective for electric vehicles, but requires careful structuring

Changes to double-cab pick-ups and the introduction of a mileage-based charge for electric vehicles from 2028 also need to be considered. Notably, double cab pick ups are treated as cars for Benefit-in-Kind purposes unless there is evidence to prove otherwise. For VAT purposes, provided the payload > 1 tonne, they are treated as vans and qualifying VAT can be reclaimed.

The Family Business

Involving Family Members

Employing family members can be tax-efficient, provided:

- The work is genuine
- Pay is commercially justifiable
- Records support the arrangement

The Employment Allowance can be a valuable relief where eligibility conditions are met. Be mindful also of National Minimum Wage requirements.

Succession Planning

Succession planning is no longer optional. Changes to Capital Gains Tax and Inheritance Tax mean that businesses without a plan may face avoidable future liabilities.

A good succession plan:

- Protects business continuity
- Allows gradual transition rather than a cliff-edge exit
- Aligns ownership, control and tax planning

Business Asset Disposal Relief increases to 18% from 6 April 2026, reducing the benefit of qualifying disposals.

Action point: **If a disposal is planned and eligibility conditions are already met, early action may secure the current lower rate.**

Unincorporated Businesses and Making Tax Digital

Making Tax Digital for Income Tax

From 6 April 2026, many sole traders and landlords must:

- Keep digital records
- Submit quarterly updates
- File end-of-year returns via compatible software

Thresholds apply based on income levels, with phased implementation over the next three years.

Action point: **Preparing early reduces disruption and penalty risk. Software selection and process changes should not be left until the last minute.**

Basis Period Reform

For businesses with non-standard accounting year ends, transition profits may still be spreading into future tax years.

In some cases, accelerating these profits can be used as a planning tool. 2025/26 is the final opportunity to claim any remaining Overlap Relief to reduce your tax bill before the relief is permanently lost due to Basis Period Reform. Historic records should be reviewed to ensure this is claimed.

For Families, Couples and Individuals

Tax Rates and Allowances

Personal allowances and tax thresholds remain frozen until at least 2031, increasing the impact of fiscal drag.

Where income exceeds £100,000, the Personal Allowance is tapered away, creating an effective tax rate of up to 60%. Effective tax rate of 60% on income arising between £100,000 and £125,140 pa.

Action point: Pension contributions and Gift Aid donations can reduce adjusted net income and preserve allowances.

Tax and the Family

Spouses and civil partners are taxed independently, but planning as a household can reduce the overall tax burden.

Opportunities include:

- Using both Personal Allowances and tax bands
- Structuring ownership of income-producing assets
- Making use of CGT exemptions on joint disposals

Transfers between spouses are generally CGT-neutral, but care is required to avoid anti-avoidance issues.

Children and the Wider Family

Children have their own allowances and can sometimes be employed in family businesses. Junior ISAs and pension contributions for children or grandchildren can form part of longer-term family planning.

Where Gift Aid Fits In

Gift Aid donations:

- Essentially reduces taxable income
- Help preserve Personal Allowance
- Reduce exposure to the High Income Child Benefit Charge

Higher-rate relief is often overlooked and must be actively claimed.
Timing donations carefully can also provide flexibility between tax years.

Pension Planning

Pensions remain one of the most tax-efficient planning tools available.

Key considerations include:

- Annual allowance and carry-forward rules
- Tapered allowances for higher earners
- Employer versus personal contributions

From April 2027, unused pension funds will fall within the scope of Inheritance Tax, making it essential to review how pensions fit into wider estate planning.

High Income Child Benefit Charge and Tax-Free Childcare

The High Income Child Benefit Charge applies once adjusted net income exceeds £60,000 and removes all benefit at £80,000.

Tax-Free Childcare is lost entirely once income exceeds £100,000.

Action point: Pension contributions and Gift Aid can be used to preserve eligibility for these valuable benefits.

Investing Tax Efficiently

ISAs, EIS, SEIS and Venture Capital Trusts can all play a role in tax-efficient investing, depending on risk appetite and objectives.

Notably, VCT Income Tax relief reduces from 30% to 20% from 6 April 2026.
ISA allowances cannot be carried forward and should be reviewed before each year end.

Capital Taxes and Inheritance Tax

Capital Gains Tax

The CGT annual exemption remains fixed at £3,000. Business Asset Disposal Relief rates increase from April 2026, reducing the benefit of qualifying disposals.

Inheritance Tax: Key Changes

Two major changes require attention:

1. Unused pension funds will be brought into the IHT net from April 2027
2. Business and Agricultural Property Relief will be capped from April 2026, with a combined £2.5 million allowance per individual

While recent amendments soften the impact, many estates that were previously unaffected will now need to plan carefully.

Action point: Consider transferring assets (such as trading company shares or farming businesses) that presently qualify for 100% relief into a discretionary trust well in advance of 6 April 2026. While there are ongoing debates regarding a potential deferral to 2027, acting now may allow you to 'lock in' the current unlimited relief before the new £2.5 million cap is introduced.

With pensions coming into the IHT net from April 2027, consider putting pensions into drawdown now to enable regular gifts out of income. If these gifts form a regular pattern and are made from surplus income, they can be immediately exempt from IHT, effectively moving wealth out of your taxable estate today.

How We Can Help

Tax planning is most effective when it's specific to your circumstances. The points in this guide are intended to highlight opportunities, but the detail matters — and timing is critical.

At bk plus, we work closely with business owners, families and individuals to turn planning opportunities into practical outcomes. We can help you:

- Navigate Making Tax Digital requirements
- Structure profit extraction efficiently
- Plan capital investment to maximise available reliefs
- Prepare for Inheritance Tax changes affecting pensions and business property
- Review and strengthen succession and exit plans
- Ensure you're claiming everything you're entitled to

The deadline for many of these planning opportunities is 5 April 2026. Don't leave it until the last minute.

Contact us today to discuss how these points apply to you.

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Important Information

Please note that some of these ideas are based on government announcements which haven't yet been legislated so this guide is for general information only and is based on our understanding of current legislation and HMRC practice as at February 2026. Tax treatment depends on individual circumstances and may be subject to change. You should not act on this information without taking professional advice specific to your situation.