David Allen

Tax

Tax Guide 2025/26

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Income Tax

Allowances	2025/26	2024/25
Personal Allowance (PA)*	**£12,570**	**£12,570**
Marriage Allowance†	**1,260**	**1,260**
Blind Person's Allowance	**3,130**	**3,070**
Rent a room relief**	**7,500**	**7,500**
Trading income**	**1,000**	**1,000**
Property income**	**1,000**	**1,000**

*PA is withdrawn at £1 for every £2 by which 'adjusted income' exceeds £100,000. There is no allowance given above £125,140.

†The part of the PA that is transferable to a spouse or civil partner who is not a higher or additional rate taxpayer.

** If gross income exceeds this, the limit may be deducted instead of actual expenses.

Rate bands	2025/26	2024/25
Basic rate band (BRB)	**£37,700**	**£37,700**
Higher rate band (HRB)	**37,701 – 125,140**	**37,701 – 125,140**
Additional rate	**over 125,140**	**over 125,140**
Personal Savings Allowance (PSA)		
– Basic rate taxpayer	**1,000**	**1,000**
– Higher rate taxpayer	**500**	**500**
Dividend Allowance (DA)	**500**	**500**

BRB and additional rate threshold are increased by personal pension contributions (up to permitted limit) and Gift Aid donations.

Tax rates

Rates differ for General, Savings and Dividend income within each band:

	2025/26			2024/25		
	G	S	D	G	S	D
Basic rate %	**20**	**20**	**8.75**	**20**	**20**	**8.75**
Higher rate %	**40**	**40**	**33.75**	**40**	**40**	**33.75**
Additional rate %	**45**	**45**	**39.35**	**45**	**45**	**39.35**

General income (salary, pensions, business profits, rent) usually uses personal allowance, basic rate and higher rate bands before savings income (mainly interest). Scottish taxpayers are taxed at different rates on general income (see below).

Where savings income falls in the first £5,000 of the BRB, it is taxed at nil rather than 20%.

The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%.

Dividends are normally taxed as the 'top slice' of income. The DA taxes the first £500 of dividend income at nil, rather than the rate that would otherwise apply.

Income Tax – Scotland		2025/26	2024/25
Starter rate	**19%**	**£2,827**	**£2,306**
Basic rate	**20%**	**2,828 – 14,921**	**2,307 – 13,991**
Intermediate rate	**21%**	**14,922 – 31,092**	**13,992 – 31,092**
Higher rate	**42%**	**31,093 – 62,430**	**31,093 – 62,430**
Advanced rate	**45%**	**62,431 – 125,140**	**62,431 – 125,140**
Top rate	**48%**	**over 125,140**	**over 125,140**

The Scottish rates and bands do not apply for savings and dividends, which are taxed at normal UK rates.

High Income Child Benefit Charge (HICBC)

1% of Child Benefit for each £200 of adjusted net income between £60,000 and £80,000.

Pensions

Registered Pensions	2025/26	2024/25
Annual Allowance (AA)*	**£60,000**	**£60,000**

Annual relievable pension inputs are the higher of earnings (capped at AA) or £3,600.

*Usually tapered down, to a minimum of £10,000, when adjusted income exceeds £260,000.

The maximum tax-free pension lump sum is £268,275, unless a higher amount is "protected".

State Pension (per week)	2025/26	2024/25
Old State Pension	**£176.45**	**£169.50**
New State Pension†	**230.25**	**221.20**

Annual Investment Limits

	2025/26	2024/25
Individual Savings Account (ISA)		
– Overall limit	**£20,000**	**£20,000**
– Lifetime ISA	**4,000**	**4,000**
Junior ISA	**9,000**	**9,000**
EIS – 30% relief	**2,000,000**	**2,000,000**
Seed EIS (SEIS) – 50% relief	**200,000**	**200,000**
Venture Capital Trust (VCT) – 30% relief	**200,000**	**200,000**

National Insurance Contributions

Class 1 (Employees)	Employee	Employer
Main NIC rate	**8%**	**15%**
No NIC on first	**£242pw**	**£96pw**
Main rate charged up to*	**£967pw**	**no limit**
2% rate on earnings above	**£967pw**	**N/A**
Employment Allowance per business**	**N/A**	**£10,500**

*Nil rate of employer NIC on earnings up to £967pw for employees aged under 21 and apprentices under 25.

**Some businesses do not qualify, including certain sole director companies.

Employer contributions (at 15%) are also due on most taxable benefits (Class 1A) and on tax paid on an employee's behalf under a PAYE settlement agreement (Class 1B).

Class 2 (Self employed)	
Flat rate per week if profits below £6,845 (voluntary)	**£3.50**

Class 3 (Voluntary)	
Flat rate per week	**£17.75**

Class 4 (Self employed)	
On profits £12,570 – £50,270	**6%**
On profits over £50,270	**2%**

Employees with earnings above £125pw and the self employed with profits over £6,845 (or who pay voluntary Class 2 contributions) can access entitlement to contributory benefits.

Vehicle Benefits

Cars

Taxable benefit: List price of car multiplied by chargeable percentage.

CO2 g/km	Electric Range miles	2025/26 All Cars %	2024/25 All Cars %
0	N/A	3	2
1 – 50	>130	3	2
1 – 50	70 – 129	6	5
1 – 50	40 – 69	9	8
1 – 50	30 – 39	13	12
1 – 50	<30	15	14
51 – 54	N/A	16	15

Then a further 1% for each 5g/km CO2 emissions, up to a maximum of 37%.

Diesel cars that are not RDE2 standard suffer a 4% supplement on the above figures but are still capped at 37%.

Vans

Chargeable value of £4,020 (2024/25 £3,960) if private use is more than home-to-work. Zero-emission vans charged at £Nil (2024/25 £Nil).

Fuel

Employer provides fuel for private motoring in an employer-owned:
Car: CO2-based percentage from above table multiplied by £28,200 (2024/25 £27,800).
Van: £769 (2024/25 £757).
Employee contributions do not reduce taxable figure unless all private fuel is paid for by the employee (in which case there is no benefit charge).

Tax-free Mileage Allowances

Employee's own transport	per business mile
Cars first 10,000 miles	**45p**
Cars over 10,000 miles	**25p**
Business passengers	**5p**
Motorcycles	**24p**
Bicycles	**20p**

Capital Gains Tax

	2025/26	2024/25	
Annual exemption			
Individuals, estates	**£3,000**	**£3,000**	
Most trusts	**1,500**	**1,500**	
Tax rate		**From 30/10/2024**	**Up to 29/10/2024**
Individual up to Basic Rate Limit (BRL)			
– Residential property	**18%**	**18%**	**18%**
– Other assets	**18%**	**18%**	**10%**
Individual above BRL, trusts and estates			
– Residential property	**24%**	**24%**	**24%**
– Other assets	**24%**	**24%**	**20%**
Business Asset Disposal Relief (BADR)**	**14%**	**10%**	**10%**

*BADR is available on qualifying gains up to a lifetime limit of £1m.

Corporation Tax

Year to	31/3/2026	31/3/2025
Main rate (profits above £250,000)	**25%**	**25%**
Small profits rate (profits up to £50,000)	**19%**	**19%**
Marginal relief band (MRB)	**£50k – £250k**	**£50k – £250k**
Fraction in MRB (effective marginal rate)	**3/200 (26.5%)**	**3/200 (26.5%)**

Research and Development relief (R&D)

Accounting periods beginning on or after	1/4/2024
R&D Expenditure Credit (RDEC) scheme*	**20%**
R&D-intensive SMEs enhanced expenditure scheme**	**86%**

*Taxable expenditure credit for qualifying R&D

**Additional deduction for qualifying R&D

R&D-intensive companies are those that have R&D expenditure constituting at least 30% of total tax-deductible P&L expenses plus capitalised R&D costs. Loss-making R&D intensive companies can claim a payable credit rate of 14.5% from HMRC in exchange for their losses (capped at £20,000 plus 3 x [PAYE & NIC]).

Main Capital Allowances

Plant and machinery allowances Companies only	Year to 31/3/2026	Year to 31/3/2025
– First-year allowance (main pool)	**100%**	**100%**
– First-year allowance (special rate pool)	**50%**	**50%**
All businesses		
Annual Investment Allowance (AIA)		
– expenditure up to £1m	**100%**	**100%**
New electric vans	**100%**	**100%**
Writing down allowance: main pool	**18%**	**18%**
Writing down allowance: special rate pool	**6%**	**6%**

Motor cars purchased

	CO2 (g/km)	Allowance
New cars only	**Nil**	**100%**
In general pool	**up to 50**	**18%**
In special rate pool	**above 50**	**6%**

Structures and Buildings Allowance

Fixed deduction per annum	**3%**

Property Taxes

Annual Tax on Enveloped Dwellings (ATED)

ATED applies to 'high value' residential properties owned via a corporate structure, unless the property is used for a qualifying purpose. The tax applies to properties valued at more than £500,000.

Property value - Annual charge to	31/3/2026	31/3/2025
£0.5m – £1m	£4,450	£4,400
£1m – £2m	9,150	9,000
£2m – £5m	31,050	30,550
£5m – £10m	72,700	71,500
£10m – £20m	145,950	143,550
Over £20m	292,350	287,500

Stamp Duty Land Tax (SDLT), Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT)

Residential property (1st property only)

SDLT - England & NI £000	2025/26 Rate	LBTT - Scotland £000	2025/26 Rate	LTT - Wales £000	2025/26 Rate
Up to 125	Nil	Up to 145	Nil	Up to 225	Nil
125 – 250	2%	145 – 250	2%	225 – 400	6%
250 – 925	5%	250 – 325	5%	400 – 750	7.5%
925 – 1,500	10%	325 – 750	10%	750 – 1,500	10%
Over 1,500	12%	Over 750	12%	Over 1,500	12%

A surcharge applies for all three taxes where an additional residential property interest is purchased for more than £40,000 (unless replacing a main residence). It is also payable by all corporate purchasers. The rate is 5% (SDLT) and 8% (LBTT) of the total purchase price. LTT has specific higher rates in bandings: up to 180k: 5%, 180 - 250k: 8.5%, 250 - 400k: 10%, 400 - 750k: 12.5%, 750-1,500k: 15%, >1,500k: 17%.

For SDLT:

– First-time buyers purchasing a property of up to £500,000 pay a nil rate on the first £300,000 of the purchase price.

– A 2% supplement applies where the property is bought by certain non-UK residents.

– A rate of 17% may apply to the total purchase price, where the property is valued above £500,000 and purchased by a 'non-natural person' (e.g. a company).

For LBTT, first-time buyer relief increases the nil rate band to £175,000.

Non-residential or mixed use property

SDLT - England & NI £000	2025/26 Rate	LBTT - Scotland £000	2025/26 Rate	LTT - Wales £000	2025/26 Rate
Up to 150	Nil	Up to 150	Nil	Up to 225	Nil
150 – 250	2%	150 – 250	1%	225 – 250	1%
Over 250	5%	Over 250	5%	250 – 1,000	5%
				Over 1,000	6%

VAT

Standard rate (1/6 of VAT-inclusive price)		20%
	From 1/4/2024	Pre 1/4/2024
Registration level - taxable turnover per annum	£90,000	£85,000
Deregistration level - taxable turnover per annum	88,000	83,000

Flat Rate Scheme (FRS)

Annual taxable turnover to enter scheme	Up to £150,000
Must leave scheme if annual gross turnover	Exceeds £230,000

If using FRS, the VAT paid by the business is a fixed percentage (based on business category) of 'FRS turnover' rather than the net of output tax over input tax. Input tax is usually not recoverable.

National Minimum Wage

National Minimum Wage (rates per hour)	From 1/4/2025	From 1/4/2024
Aged 21 and over (National Living Wage)	£12.21	£11.44
Aged 18 – 20	10.00	8.60
Aged 16 – 17	7.55	6.40
Apprentices	7.55	6.40

Inheritance Tax

	2025/26	2024/25
Nil rate band (NRB)*	£325,000	£325,000
NRB residential enhancement (RNRB)†*	175,000	175,000
Tax rate on death**	40%	40%
Tax rate on lifetime transfers to most trusts	20%	20%

*Up to 100% of the proportion of a deceased spouse's/civil partner's unused NRB and RNRB band may be claimed to increment the current NRB and RNRB when the survivor dies.

†RNRB is available for transfers on death of a main residence to (broadly) direct descendents. It tapers away at the rate of £1 for every £2 of estate value above £2m.

**Rate reduced to 36% if at least 10% of the relevant estate is left to charity. Unlimited exemption for transfers between spouses/civil partners, except if UK domiciled transferor and foreign domiciled transferee, where maximum exemption £325,000.

100% Business Property Relief (BPR) for all shareholdings in qualifying unquoted trading companies, qualifying unincorporated trading businesses and certain farmland/buildings.

Reduced tax charge on gifts within 7 years before death

Years before death	0-3	3-4	4-5	5-6	6-7
% of full death tax charge payable	100	80	60	40	20

Annual exemptions for lifetime gifts include £3,000 per donor and £250 per recipient.

Key dates and deadlines

Self Assessment payment dates		2025/26	2024/25
1st payment on account	**31 January**	**2026**	**2025**
2nd payment on account	**31 July**	**2026**	**2025**
Balancing payment	**31 January**	**2027**	**2026**
Capital Gains Tax*†	**31 January**	**2027**	**2026**

Other payment dates

Class 1A NIC	**19 July**	**2026**	**2025**
Class 1B NIC	**19 October**	**2026**	**2025**

Corporation Tax is due 9 months and 1 day from the end of the accounting period, unless a 'large' company paying by quarterly instalments.

2024/25 filing deadlines

Issue P60s to employees	**31 May 2025**
P11D, P11D(b)	**6 July 2025**
Self Assessment tax return (SATR) paper version	**31 October 2025**
Online SATR if outstanding tax to be included in 2026/27 PAYE code (if under £3,000)	**30 December 2025**
Online SATR	**31 January 2026**

*A CGT return is due within 60 days of completion of sale of UK land and buildings by a non-resident and of sale of UK residential property with a tax liability by a UK resident. Any CGT payable is also due within 60 days.

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