

# TAXFAX

2025/26





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## Allowances & Reliefs

	2025/26	2024/25	Notes
Personal allowance	£12,570	£12,570	i, ii, iii, iv
Blind person's allowance	£3,130	£3,070	
Married/civil partner's allowance			
At least one partner born before 6 April 1935	£11,270	£11,080	ii, v
Minimum married/civil partner's allowance	£4,360	£4,280	ii, v
Personal savings allowance			
For basic rate taxpayer	£1,000	£1,000	
For higher rate taxpayer	£500	£500	
Dividend allowance	£500	£500	
Rent-a-room maximum	£7,500	£7,500	
High income child benefit charge threshold	£60,000	£60,000	vi
Micro-entrepreneurs allowances			
Trading income	£1,000	£1,000	
Property income	£1,000	£1,000	

### Notes

- i Reduced by £1 for every £2 of income over £100,000.
- ii Non-residents may not be entitled to personal allowances in certain circumstances.
- iii The personal allowance will be frozen until 5 April 2028.
- iv £1,260 of the personal allowance can be transferred between spouses/civil partners where neither is a higher rate taxpayer.
- v Available to persons born before 6 April 1935.
  - Reliefs for this allowance given at 10%.
  - Reduced to the minimum allowance by £1 for every £2 of income over £37,000 (£37,000 for 2024/25)
- vi Charge of 1% of the benefit per £200 of adjusted net income over £60,000; 100% of the benefit withdrawn when adjusted net income reaches £80,000.

## Individuals - Income Tax Rates & Bands

Bands	2025/26	2024/25
Starting rate limit*	£5,000	£5,000
Basic rate band**	£1 - £37,700	£1 - £37,700
Higher rate band	£37,701 - £125,140	£37,701 - £125,140
Additional rate band	Over £125,140	Over £125,140

\*Applicable to savings

\*\*Fixed to 5 April 2028

Rates^	2025/26	2024/25
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting rate for savings income	0%	0%
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%

^Rates do not include Scottish rates for non-savings and non-dividend income

## Trusts - Income Tax Rates & Bands

2025/26 and 2024/25

All income for interest in possession trusts with over £500 of income

Low income trusts (trusts with up to £500 of taxable income)

All income for non interest in possession trusts with over £500 of income

Dividends	Other
8.75%	20%
0% (effective rate)	0% (effective rate)
39.35%	45%

### Notes

Trusts where the settlor or spouse/civil partner retains an interest are taxed as the income of the settlor.  
Trusts for the vulnerable can be taxed at the beneficiary's rate of tax.

## Pension Contribution Reliefs

	2025/26	2024/25	Notes
Lump sum allowance	£268,275	£268,275	i
Lump sum and death benefit allowance	£1,073,100	£1,073,100	ii
Annual allowance	£60,000	£60,000	iii, iv, v
Money purchase annual allowance	£10,000	£10,000	vi

### Notes

- i The 25% tax-free lump sum is capped at £268,275, unless LTA protection is in place.
- ii The lump sum and death benefit allowance is the maximum tax-free lump sum that may be paid on death before age 75; it is reduced by any tax free cash paid while living.
- iii Personal contributions cannot exceed 100% of earnings or, when aggregated with employer contributions, the annual allowance, plus unused allowances carried forward from the previous three years.
- iv Maximum annual allowance of £60,000 reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000.
- v Up to £3,600 p.a. gross personal contributions can be paid into pensions irrespective of earnings to age 75.
- vi Money purchase annual allowance applies once defined contribution plans have been flexibly-accessed.

# Capital Gains Tax (CGT)

## Rates for individuals and trusts

Basic and standard rate taxpayers

2025/26	2024/25	Notes
18%	10%*/18%**	
24%	20%*/24%**	
24%	20%*/24%**	
14%	10%	
14%	10%	
24%	24%	i, ii, iii
32%	28%	i, iii

Higher and additional rate taxpayers

Trusts and personal representatives

Gains qualifying for Business Asset

## Disposal Relief

Gains qualifying for Investors' Relief

Gains on residential property

Gains on carried interest

Non-UK resident individuals are subject to CGT on direct and indirect disposals of UK real estate

## Exemptions and reliefs

2025/26	2024/25	Notes
£3,000	£3,000	iv
£1,500	£1,500	iv
£1m	£1m	
£1m	£10m* / £1m**	

### Annual exemption

Individuals and personal representatives

Trusts

### Lifetime limit on gains

Business Asset Disposal Relief

Investors' Relief

\*to 29 Oct 2024 \*\*from 30 Oct 2024

## Notes

i For individuals, to the extent that the basic rate band is unused, a CGT rate of 18% will apply, except for carried interest taxable in the 2025/26 tax year which will be taxed at the 32% rate.

ii Rate also applicable for trusts.

iii Rate also applicable for personal representatives.

iv CGT proceeds reporting limit £50,000.



# Inheritance Tax (IHT)

## Rates and bands

### On death

Nil rate band £1 - £325,000

Over £325,000

Residence nil rate band

	2025/26	2024/25	Notes
Nil rate band £1 - £325,000	0%	0%	i
Over £325,000	40%	40%	ii
Residence nil rate band	£175,000	£175,000	i,iii

### Notes

- i Nil rate band for estate of surviving spouse/civil partner is increased by the percentage of the nil rate band unutilised by the predeceased spouse/civil partner.
  - ii Tax rate reduces to 36% when at least 10% of net chargeable estate is left to charity.
  - iii Reduced by £1 for every £2 of the net value of the deceased's estate over £2m.
  - iv From 6 April 2025, the concept of Domicile will be replaced by a Long Term Residency test.
- The nil rate band and residence nil rate band will be frozen until 5 April 2030.

## Main exemptions/reliefs

Spouse/civil partner – both UK domiciled (or transferor non-domiciled)	Unlimited
Gift from UK domiciled to non-UK domiciled spouse/civil partner (An election is available for the non-UK domiciled spouse/civil partner to be treated as UK domiciled for IHT purposes)	£325,000
Total annual gifts per donor	£3,000
Small gifts per donee not exceeding	£250
Marriage/civil partnership gifts by	
- parent	£5,000
- other 'relative'	£2,500
- other	£1,000
Regular gifts out of surplus income	Unlimited
UK charities plus those in the EU, Norway and Iceland, and political parties in the UK	Unlimited

Business and agricultural property relief can be available at 50% or 100% on qualifying business or agricultural property. From 6 April 2026, the 100% rate will continue for the first £1 million of value and it will be 50% thereafter. Also, the rate of business property relief on shares not listed on recognised stock exchanges (such as AIM) will be reduced to 50%.

Lifetime gifts to an individual are initially not chargeable and are fully exempt after seven years

Gifts to relevant property trusts will be taxable at 20% on the excess over available nil rate band

Death within seven years of lifetime gifts – tax on value gifted is payable at death rates subject to taper relief:

Years	0-3	3-4	4-5	5-6	6-7	Over 7
Taper relief	0%	20%	40%	60%	80%	100%
Effective rate of IHT	40%	32%	24%	16%	8%	0%

## Individual Savings Accounts (ISAs)

	2025/26	2024/25	Notes
Cash, shares and innovative finance combined limit	£20,000	£20,000	
Junior ISA	£9,000	£9,000	i
Help to buy ISA	£2,400	£2,400	ii,iii
Lifetime ISA	£4,000	£4,000	iii,iv

### Notes

- i Available to children not entitled to a Child Trust Fund.
- ii First time buyers over 16. No longer possible to open a new Help to Buy ISA but, where one is already open, contributions can continue to be made until November 2029 and a 25% bonus can be claimed until November 2030.
- iii A 25% bonus from the Government is available under both ISAs. However, if an individual has a Lifetime ISA and a Help to Buy ISA, the bonus can only be used from one of them.
- iv Available to individuals over 18 but under 40 to save for their first home or retirement; but counts as part of the £20,000 ISA limit.

## Corporation Tax

	2025/26	2024/25	Notes
Corporation Tax - all profits and gains	25%	25%	i, iii
Patent box effective rate	10%	10%	ii
Residential Property Developers Tax	4%	4%	

### Notes

- i Includes gains on UK property and profits from UK property businesses realised by non-UK resident companies.
- ii Applies to profits from qualifying patents derived from qualifying activities of the company.
- iii The main rate is 25%. A small profits rate of 19% will apply to profits up to £50,000. The effective rate will increase from 19% to 25% on profits between £50,000 and £250,000.

## Research & Development (R&D) Tax Credits

	2025/26	2024/25	Notes
SME enhanced deduction	N/A	N/A	
SME cash credit for surrendered R&D losses	14.5%	14.5%	i
Large company above the line credit	N/A	N/A	
R&D merged scheme	20%	20%	ii

### Notes

- i A higher rate of SME payable credit of 14.5% will take effect for expenditure incurred in accounting periods beginning on or after 1 April 2023 for R&D intensive SMEs. SMEs are eligible for this scheme if they have an R&D intensity, defined as 40% or above for periods beginning on or after 1 April 2023, and 30% or above for periods beginning on or after 1 April 2024. There is a transition period and a period of grace where companies fall slightly below the threshold(s) from one year to the next, allowing them to retain their R&D intensive status for one further year. This support is targeted using a new R&D intensity definition and calculated based on the ratio of the company's qualifying R&D expenditure (for both the SME and RDEC schemes) for a period to its total expenditure for the same period.
- ii As of February 2024 it has been legislated to merge the current RDEC and R&D SME schemes for accounting periods beginning on or after 1 April 2024. The new R&D merged scheme establishes an above the line credit that allows companies to claim for their qualifying R&D costs, including contracted out R&D, and incorporates a more generous SME scheme PAYE and NIC cap. It also includes restrictions on relief for overseas expenditure which has come into effect for accounting periods beginning on or after 1 April 2024.

The notional tax rate applied to loss-makers in the merged scheme is the small profits rate of 19%, rather than the 25% main rate set in the current RDEC.

# Capital Allowances

Plant and machinery	2025/26	Notes
Annual investment allowance	100%	i
Structures and buildings	3%	ii
Long life assets (at least 25 years) and integral features	6%	
Other plant and machinery assets	18%	
First year allowances - plant and machinery	100%	iii
First year allowances - long life assets and integral features	50%	iii
First year allowances - R&D, designated Freeport sites, zero-emission goods vehicles	100%	iv
<b>Intangible assets</b>		
Goodwill and customer related intangibles	6.5%	v
Other intangible assets	4%	

Cars CO <sub>2</sub> emissions (g/km)	2025/26	2024/25	Notes
0	100%	100%	
0-50	18%	18%	
Over 50	6%	6%	

## Notes

- i Allowance of £1m p.a.
- ii Flat rate allowance, applicable to non-residential structures and buildings. Where building located within a Freeport site, 10% rate will apply.
- iii For qualifying expenditure incurred on or after 1 April 2023, companies can claim:
  - a 100% first-year allowance for main rate expenditure – known as full expensing; and
  - a 50% first-year allowance for special rate expenditure.
- iv 100% FYA on qualifying zero-emission cars and electric vehicle charge points extended to 31 March 2026
- v For acquisitions made on or after 1 April 2019, relief is fixed at a rate of 6.5% per annum on the lower of the cost of the asset or six times the cost of any qualifying IP acquired as part of the business.

# Value Added Tax (VAT)

	2025/26	2024/25
Standard rate	20%	20%
Reduced rate	5%	5%

## VAT registration thresholds (effective from 1 April 2025)

Registration required:	If UK taxable turnover is:
UK established businesses	More than £90,000 p.a.
Deregistration is possible	Less than £88,000 p.a.
Non-UK established businesses	Any amount

## Other VAT schemes

Eligible to use Cash Accounting Scheme	Less than £1,350,000 p.a.
Eligible to use Annual Accounting Scheme	Less than £1,350,000 p.a.
Eligible to use Flat Rate Scheme	Less than £150,000 p.a.

# Stamp Duty Land Tax (SDLT)

SDLT chargeable on purchase of land and property in England and Northern Ireland  
- different rules apply to purchases of land and property in Scotland and Wales

## Residential (purchase price/premium payable) from 1 April 2025

### Rate

0%	Up to £125,000
2%	£125,001 to £250,000
5%	£250,001 to £925,000
10%	£925,001 to £1,500,000
12%	Over £1,500,000
17%	Enveloped properties over £500,000

From 31 October 2024, the rate for enveloped properties over £500,000 is 17% and the higher rate for purchases of dwellings by companies and purchases of 'additional' dwellings is 5%. However, there are provisions to levy the rate for enveloped dwellings over £500,000 at 15% and the higher rate at only 3%, where a contract of purchase was exchanged on or before 30 October 2024 and completion takes place on or after 31 October 2024. This relief is subject to rules to prevent tax avoidance.

An additional 2% surcharge applies to 'non-resident transactions'. A transaction is a 'non-resident transaction' if the buyer or, where there is more than one buyer, one of the buyers fails to pass the SDLT residence test, or, in the case of 'close' UK companies, meets the non-UK control test.

## Non-residential/mixed-use (purchase price/premium payable)

Rate	
0%	Up to £150,000
2%	£150,001 to £250,000
5%	over £250,000

Tax rates below charged on part of net present value of rent within each band:

**Residential (from 1 April 2025)**

**Non-residential/mixed use**

Rate		Rate	
0%	Up to £250,000	0%	Up to £150,000
1%	Over £250,000	1%	£150,001 to £5,000,000
		2%	over £5,000,000

**Relief for first time buyers (from 1 April 2025)**

Special rates apply for a qualifying buyer's first home. Price paid for the home must not exceed £500,000

Rate	
0%	Up to £300,000
5%	£300,001 to £500,000



## Annual Tax on Enveloped Dwelling (ATED)

ATED is an annual tax payable mainly by companies and other 'non-natural persons' that own UK residential dwellings that are individually valued in excess of £500,000 subject to exceptions.

The ATED period runs from 1 April to 31 March each year, and payment is due by 30 April following the beginning of each ATED period.

The ATED is chargeable at a flat rate if a property falls into a specific valuation band as follows:

Residential property value	2025/26	2024/25
	Annual Charge	
Up to £500,000	n/a	n/a
£500,001 - £1,000,000	£4,450	£4,400
£1,000,001 - £2,000,000	£9,150	£9,000
£2,000,001 - £5,000,000	£31,050	£30,550
£5,000,001 - £10,000,000	£72,700	£71,500
£10,000,001 - £20,000,000	£145,950	£143,550
Over £20,000,000	£292,350	£287,500

## Tax Free Mileage Rates

2025/26

Employee's own car	Rate per mile
Annual business mileage up to 10,000 miles	45p
Each additional mile over 10,000 miles	25p
Each qualifying passenger	5p
Motorcycle	24p
Cycle	20p

## National Insurance Contributions (NICs)

<b>Class 1 primary employees</b>	<b>2025/26</b>
Total weekly earnings - contracted in up to £242 p.w.	nil
over £242 to £967 p.w.	8% from 6 April 2024
on excess over £967 p.w.	2%
<b>Class 1 secondary employees</b>	<b>2025/26</b>
Total weekly earnings - contracted in up to £96.15 p.w.	nil
over £96.15 p.w.	15%
Class 1A employers only	15% on taxable benefits
Class 1B employers only	15% on amount in PAYE settlement agreement and income tax thereon
Class 2 flat rate for self employed	nil
Class 3 voluntary	£17.75 p.w.
Class 4 self employed	6% on profits over £12,570 to £50,270 and a further 2% on profits above £50,270

### Notes

**Employment allowance** – Eligible businesses and charities can claim a reduction of up to £10,500 per annum of their employer contributions.

**NIC incentives – apprenticeships** – Class 1 secondary NIC will not be due from employers with employees under the age of 25, who are following an approved UK Government statutory apprenticeship framework, who earn up to £967 per week.

**NIC incentives – hiring veterans** – Class 1 secondary NIC will not be due from employers on annual earnings of £50,270 in the first year of a qualifying veteran's employment in a civilian role. The relief has been extended for a further year to April 2026.

## Employer NICs & Freeports

From 6 April 2022, employers operating in a Freeport tax site pay 0% employer Class 1 NIC on the earnings of some employees. The end date for this relief is 30 September 2031.

The 0% employer Class 1 NIC relief will continue to apply for the first three years of employment on earnings of up to £25,000 on within the extended ten-year window. This means that, when looking at the position on a typical weekly or monthly pay period basis, no employer NIC would be due, if the employee earns less than £481 per week or £2,083 per month. Regular employer NICs apply for earnings above these thresholds.

Only new employees who spend 60% or more of their working time within a Freeport tax site qualify, though there are some easements potentially available regarding this 60% requirement in particular situations e.g. for pregnancy or disability-related situations. Moreover, people would only be a 'new employee' for these purposes, if they have not been employed by that business (or a connected one), in the 24 months up to the start of this most recent employment.

## National Living Wage

The National Living Wage (NLW) will increase by 6.7% from £11.44 to £12.21 an hour from April 2025; full time workers on the NLW will see a pay rise of over £1,400 a year from April 2025.

National Minimum Wage for 18-20s year olds will be £10/hour from April 2025.

The minimum hourly wage for under 18s and apprentices will increase from £6.40 to £7.55 per hour from April 2025.



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