

affinia

Year End Tax Planning Guide

2025/26



Contents

Property

Time to review your property tax position	2
Stamp Duty Land Tax: Common risk areas	3
Property Capital Allowances	5
Property Incorporations and Portfolio Restructuring	6
Making Tax Digital for Income Tax (MTD): A landlords perspective	8
HMRC compliance activity	9
Looking ahead: future changes	9
Meet the Property Tax team	10

Private Client

Income Tax Planning	12 - 13
Investments	15
Capital Gain Tax Planning	16
Business Asset Disposal Relief (BADR)	16
Main residence and multiple homes	17
Inheritance tax	17
Residency and domicile	18
Making Tax Digital for Income Tax (MTDIT)	19
Meet the Private Client team	20

Contents

Employers

End of the tax year: Employers	22
PAYE and Payroll: Getting the fundamentals right	23
Employment Allowance: A valuable opportunity not to be missed	24
Termination payments: Managing risk at the point of exit	25
National Minimum Wage: An increasing compliance focus	25
Salary sacrifice: Balancing efficiency and compliance	26
Employment Status and Self-Employed Engagements	26
Off-payroll working (IR35)	28
Apprenticeship levy and workforce planning	28
Share incentives and equity rewards	29
Looking ahead: Planning for the new tax year	30
Key dates at a glance: 2025/26	31

Business Owners

Profit Extraction for Limited Companies	33
Maximise Capital Allowances	34
Business Asset Disposal Relief (BADR)	34
Preparing for IHT changes	36
Trading vs Investment	36

Time to review your property tax position

Property tax planning should be an ongoing process, but the end of the tax year is a key opportunity to review your position, address historic issues and identify forward-looking planning opportunities.

This guide highlights common property tax considerations for individuals, landlords, developers and businesses as we approach the end of the 2025/26 tax year.

Key questions to consider:

- Is my current ownership structure still appropriate?
- Have I claimed all available reliefs and allowances?
- Are there historic transactions that may need revisiting?
- Am I ready for upcoming changes, including Making Tax Digital?

Company-Owned Residential Property

Holding residential property in a company can offer commercial and tax advantages, but it also brings additional complexity and compliance obligations. Getting this wrong can result in unexpected tax costs.

Stamp Duty Land Tax (SDLT)

Companies acquiring residential property may be subject to higher SDLT rates, including the 17% flat rate on properties costing £500,000 or more, and SDLT as high as 19% in some cases.

Annual Tax on Enveloped Dwellings (ATED)

ATED can apply where a company owns UK residential property valued over £500,000. Annual charges are significant, although reliefs are available in many commercial situations.

Reliefs and HMRC scrutiny

Relief claims for SDLT and ATED are closely monitored by HMRC. Claims must be robust and properly evidenced. HMRC continue to be very active in challenging tax payers in this area.

Ownership structure

Choosing the right structure at the outset is critical. In some cases, de-enveloping (moving property out of a company) may be appropriate, but this requires careful planning to manage SDLT, CGT and other tax exposures. Limited Companies are very useful structures, but this does not mean they are always the best for your own circumstances.

Stamp Duty Land Tax: Common risk areas

Stamp Duty Land Tax continues to be a high-risk area, particularly where transactions are complex or unusual.

Common issues include:

- Shared ownership staircasing - SDLT can arise at different points depending on elections made.
- Separation and divorce - poorly structured transfers can trigger SDLT unexpectedly.
- Mixed-use claims - significant savings may be available, but HMRC challenge these claims routinely.
- Properties unsuitable for use as a dwelling - non-residential rates may apply, but claims must meet strict criteria, the threshold here is set much higher than many tax payers are led to believe.

Early advice is essential to avoid costly mistakes and penalties.





Property Capital Allowances

Capital allowances on non-residential property can generate substantial tax savings and enhance asset value.

Key points:

- Significant financial value to businesses, and even non-tax paying entities such as charities and pension schemes
- Key to consider on acquisition, refurbishment and disposal
- Missed claims can be corrected but can be lost permanently if action isn't taken promptly

Protecting capital allowances should be considered at every stage of the property lifecycle.

Property VAT Planning

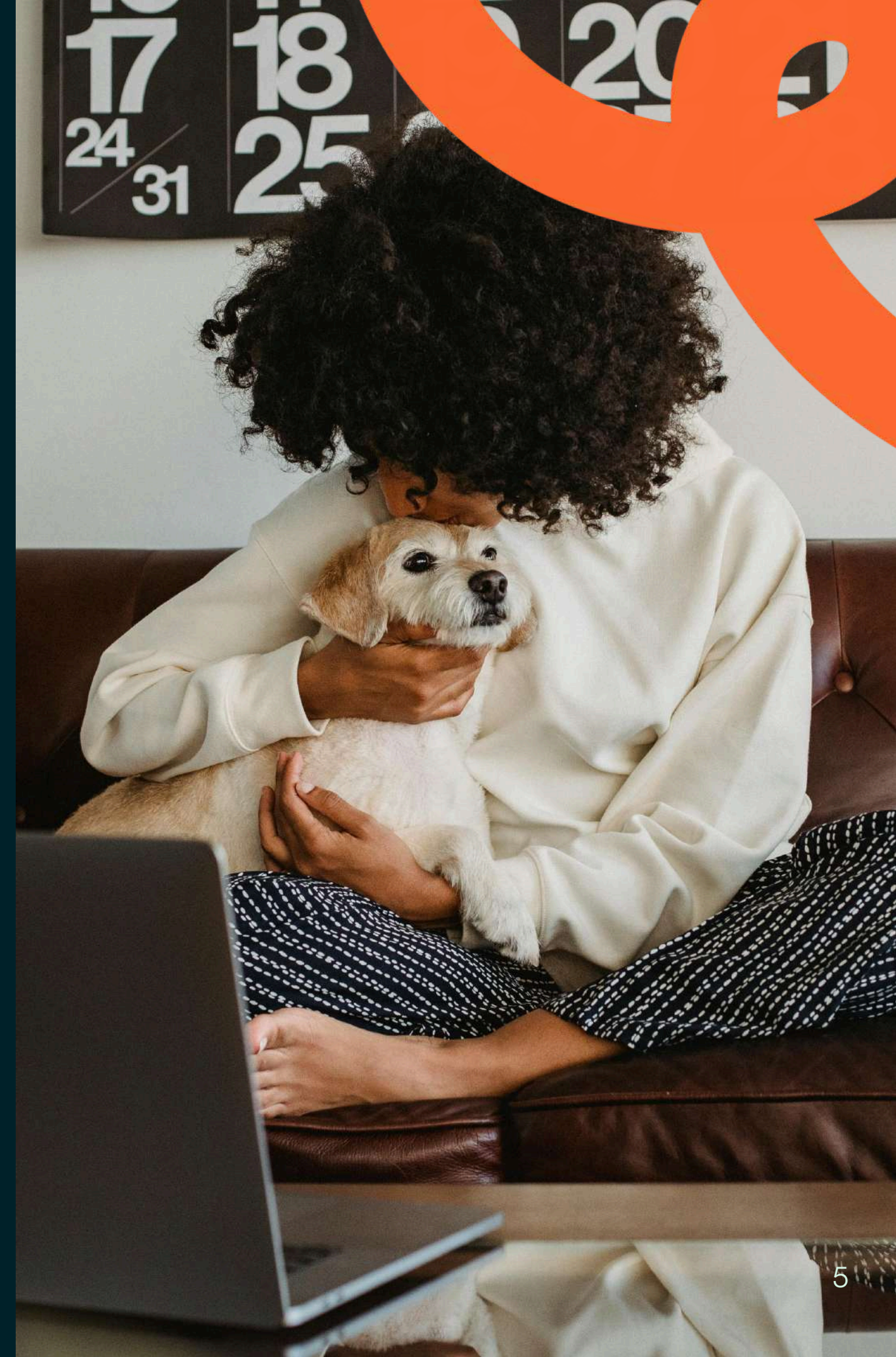
VAT treatment varies widely depending on the nature of the property and the transaction.

Key considerations include:

- Correct VAT rates on construction and refurbishment (0%, 5% or 20%)
- Planning for conversions, new builds and developments
- Option to Tax (OTT) elections
- Transfer of a Going Concern (TOGC) planning and risks including the Capital Goods Scheme (CGS)

Holiday and short-stay accommodation

Recent case law has confirmed that VAT schemes such as TOMS apply narrowly. Operators should review VAT treatment carefully to ensure compliance if they are currently using the TOMS VAT scheme.



Property Incorporations and Portfolio Restructuring

Incorporation remains attractive for some landlords and investors, offering:

- Access to corporation tax rates
- Greater flexibility over profit extraction
- Ability to retain profits for reinvestment

However, incorporations are complex and heavily scrutinised by HMRC. SDLT, CGT, ATED, IHT and anti-avoidance rules must all be considered, and more!

Professional advice is essential before proceeding with such a significant restructuring exercise.





Making Tax Digital for Income Tax (MTD): A landlords perspective

Making Tax Digital for Income Tax Self-Assessment represents a major change for landlords.



Who is affected?

From 6 April 2026, unincorporated landlords with combined property and trading income of £50,000 or more (before expenses) will be required to comply.

What does MTD involve?

- Keeping digital records of income and expenses
- Submitting quarterly updates to HMRC
- Filing a final annual declaration
- Using MTD-compatible software

Jointly owned properties

Landlords with jointly owned properties:

- Only report their share of income and expenses
- Can use simplified digital records
- May exclude jointly owned expenses from quarterly updates and finalise them at year end

Record-keeping simplifications

- Turnover under £90,000 allows less detailed categorisation
- Property income allowance is claimed at year end, not through quarterly updates

Preparing early is key to avoiding disruption. Contact our Property Tax or MTD team for support in this area.

HMRC compliance activity

HMRC continues to focus heavily on the property sector, targeting:

- Under-reported rental income or capital gains
- Incorrect relief claims often with significant amounts of tax at stake
- Misclassified property transactions

Regular reviews and proactive advice can significantly reduce exposure to enquiries and penalties.



Looking ahead: Future changes

Income tax on rental income (from April 2027)

Proposed increases to income tax rates on rental income will affect many landlords and increase complexity.

High-value council tax surcharge (from April 2028)

A new surcharge will apply to residential properties valued at £2m or more. Early planning is recommended.

Business rates reform

Revaluations and changing reliefs will impact many businesses, particularly in hospitality and leisure. There is a lot of change and relief is planned, but no doubt many will still face significant higher rates bills moving forward.



Meet the Property Tax team

Affinia's Property Tax team advises on the full lifecycle of property ownership - from acquisition and development through to restructuring and disposal. Working hand in hand with the wider Affinia Advisory teams to ensure a fully holistic outcome for you, your family and your business.



Tom Butterworth
Head of Department




Martin Quinton
Manager



Jake Egner
Advisor

If you would like to review your position or discuss any of the areas covered in this guide, please contact us.

Contact the team 



Year End Tax Planning for Private Clients

2025/26

Income Tax Planning

Every tax year each individual has one set of allowances available to them and if they are not used, these are effectively wasted. Likewise, if income exceeds a certain limit then some of these allowances may be reduced or lost altogether.

The highest rate of income tax that applies to total income over £125,140 is 45% and factoring in NIC this increases to 47%. Those individuals who have income between £100,001 and £125,140 incur an effective rate of income tax of 60% and with NIC this increases to 62%.

Income tax planning has never been more important to ensure that you are maximising reliefs and making the use of your allowances.

Review your income

Review your income to ensure that you are utilising your personal allowance and lower rate bands. Married couples or those in civil partnerships have flexibility to transfer income generating assets without CGT charges to equalise income and utilise allowances and income tax bands, which in turn reduces liabilities.

Dividends

Accelerating dividend payments before 5 April 2026 may offer worthwhile tax savings, as the November 2025 Budget confirmed a 2 percent increase to the basic and higher dividend tax rates from 6 April 2026. Bringing distributions forward can help mitigate these higher rates, particularly for company owners and investors expecting sizeable dividends, though this should be balanced against cash-flow needs and overall remuneration planning.

Jointly held property assets

Where property assets are jointly held between spouses, any income generated is treated as being split 50:50. A declaration of trust to split the beneficial interest in the income, supported by Form 17 to HMRC, can maximise tax efficiencies between couples. With the increase in tax rates associated with property income from 6 April 2027 by 2%, now is the right time to consider a restructure of your property interests.

Marriage allowance

Marriage allowance is a mechanism where one spouse has not fully utilised their personal allowance and the other has income within the basic rate band. Subject to eligibility, it is possible for one spouse to transfer 10% of their personal allowance to the other spouse.



Pension contributions

- Make Pension contributions before the tax year end to obtain tax relief at your highest marginal rate.
- Most individuals can contribute up to £60k into their pension without an income tax charge. It's possible to look back to the three prior tax years (so to 2022/2023 onwards) for any unused pension allowances to bolster the contribution in this current tax year. Any allowance available from 2022/2023 not used in this year will be lost after 5 April 2026.
- Pension contributions made by those earning £100k or over, provides an opportunity to reinstate personal allowances.
- Those earning over £60k who claim child benefit also have an opportunity to make a pension contribution in order to preserve their entitlement.
- It is important to take advice on contribution levels so that you do not exceed your annual allowance and create an income tax charge.

Gift aid

Gift Aid contributions provide benefit not only to the charity but also provide higher rate or additional rate tax relief. Gift aid also assists with entitlement to child benefit and reinstatement of personal allowance. A 45% taxpayer who contributes £80 to charity will receive £25 tax relief and the charity can reclaim £20.

Exchanging salary

- Exchanging salary for benefits can have tax advantages. It involves exchanging part of your salary (commonly called salary-sacrifice) for certain benefits. Some common examples include sacrificing pay for additional holidays, pension contributions, cycle to work scheme and childcare vouchers.
- For instance, contributing into a pension via salary sacrifice saves income tax and NIC. Higher rate and additional rate taxpayers obtain the tax relief immediately and do not need to reclaim the relief through their self assessment tax return, which can delay the relief by several months. There is also the added benefit of saving NIC.



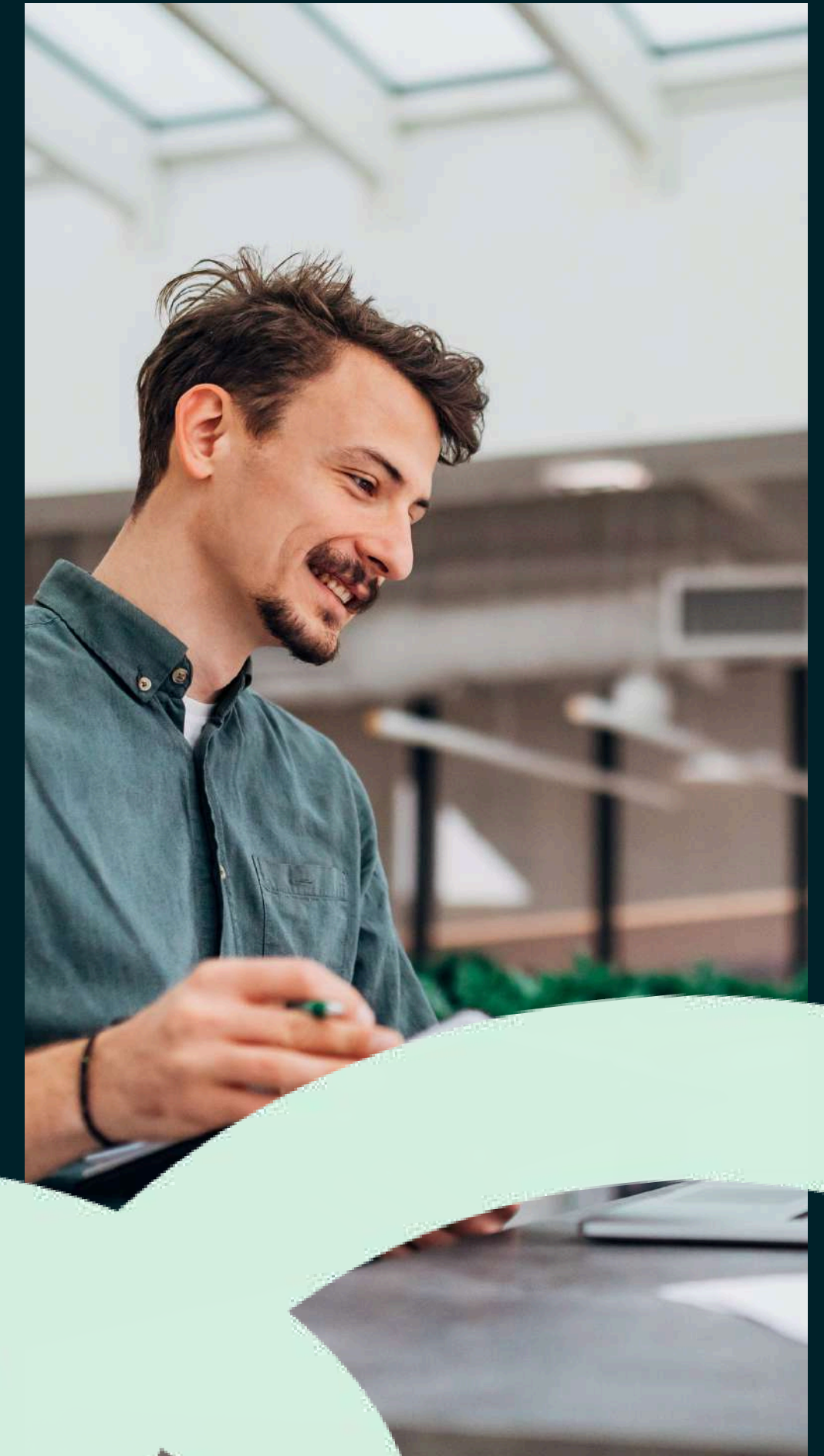
Investments

EIS, SEIS and Venture Capital Trusts

- Enterprise Investment Schemes (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT) provide income tax benefits for those individuals that invest in qualifying companies. EIS and VCTs currently provide 30% income tax relief, whereas SEIS investments attract 50% income tax relief, subject to certain subscription limits. In some instances, relief can be carried back to maximise reliefs across tax years and obtain relief earlier.
- Those considering a VCT investment may wish to invest in this current tax year and before 6 April 2026 to lock in the 30% income tax relief. From 6 April 2026 income tax relief for VCT investments will reduce to 20%.
- It is possible to defer or get exemption for CGT using EIS and SEIS respectively.
- Annual investment limits apply:
 1. EIS — up to £1m or £2m where £1m is invested in “knowledge-intensive” companies
 2. SEIS/VCT — up to £200,000

Exchanging taxable income

- If you have a large portfolio of investments, consider the arrangement of the portfolio so you take advantage of tax-free wrappers and swap income generating investments for those that focus on capital growth:
 1. ISA allowances are maximised
 2. EIS, SEIS, VCTs for income tax relief and CGT benefits
 3. Investing in equities that produce a capital return rather than dividends
 4. Investment Bonds
- Take advice prior to any restructuring as any changes in your portfolio could create capital gains tax issues.





Capital Gain Tax Planning

For disposals after 30 October 2024 CGT rates increased from 10% to 18% for basic rate tax payers and from 20% to 24% for higher and additional rate taxpayers.

For residential property, CGT rates remain at 18% and 24% throughout 2025/2026.

Any gains realised in 2025/2026 below £3,000 are exempt from CGT.

Business Asset Disposal Relief (BADR)

BADR is available on certain business disposals by charging a lower rate of CGT on the first £1m of gains.

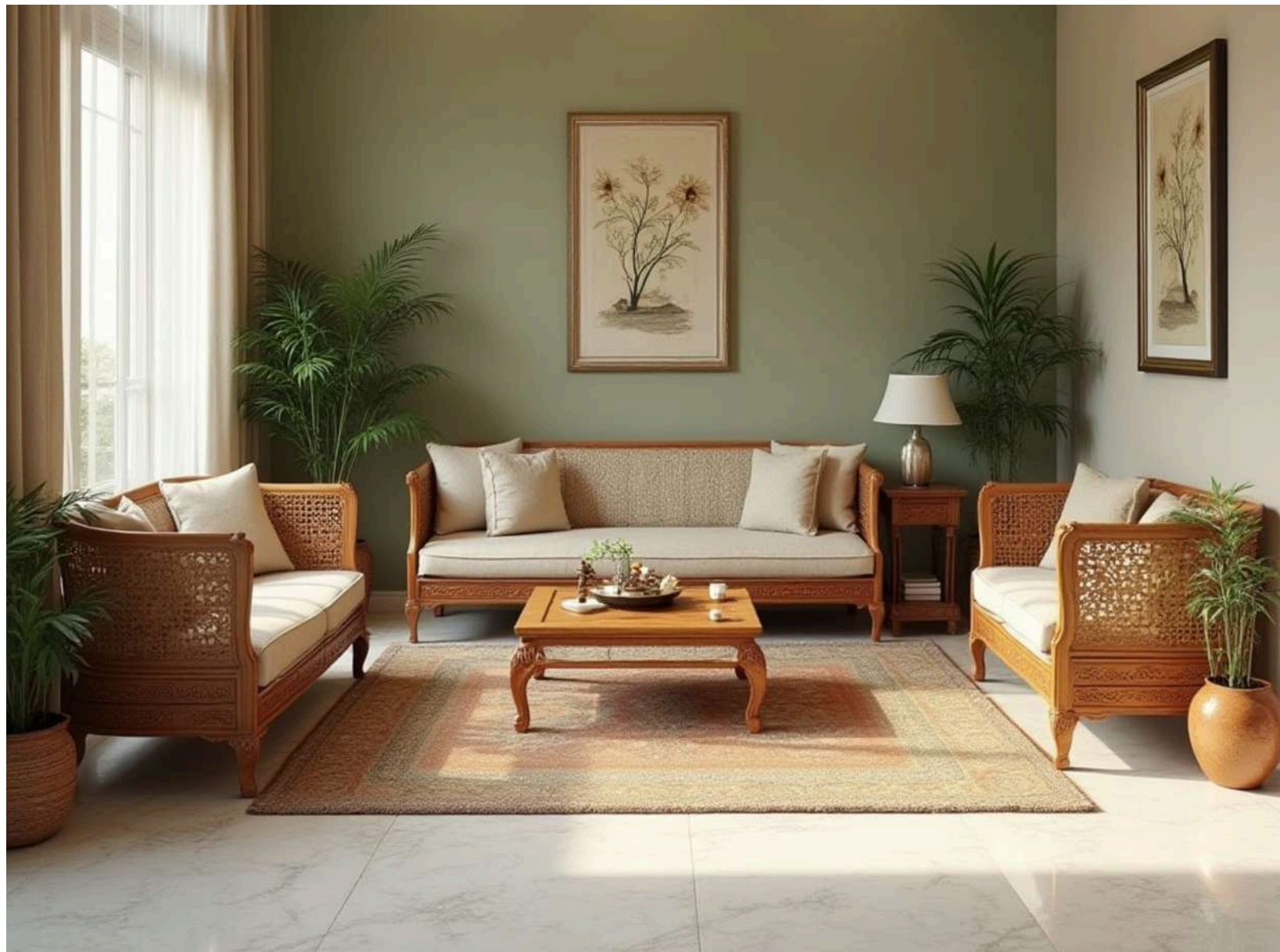
For those looking to exit a business, BADR is set at 14% for disposals made on or after 6 April 2025 and will increase to 18% with effect from 6 April 2026. There is a small window of opportunity to claim BADR at the lower rate.

Gains above the BADR limit will be taxed at the standard rate of 24%.



Main residence and multiple homes

If you have two or more homes, consider making a main residence election for your second home if it is standing at a larger gain and you have plans to sell this first. Note that quality of occupation is key when reviewing the position and advice is crucial in this area of taxation.



Inheritance tax

Inheritance tax is an extremely unpopular tax. It's generally payable on death at a rate of 40% of net asset value after the deduction of allowances and reliefs.

Most allowances have been frozen since 2009 and although the Residential Nil Rate band was introduced in 2017 there are a number of restrictions and conditions in its application.

With the introduction of a £2.5m limit applying to Business Relief and Agricultural Property Relief from April 2026 and IHT charge applying to pensions from April 2027, there has never been a more important time to review your potential exposure and consider options to plan to reduce your liability.

Residency and domicile

With the rules around residency and domicile being so complex with many varying personal factors it's key to seek specialist advice before any action is taken. but some key points to consider:

- Review eligibility for the tax-free foreign income and gains (FIG) regime especially if you are considering coming to the UK.
- Timing your remittances to take advantage of the Temporary Repatriation Facility (TRF). The TRF is available only for the 2025/26 and 2026/27 tax years and offers a favourable 12% rate on qualifying remittances. A 15% rate applies for 2027/28. Assess whether accelerating or deferring remittances could maximise this opportunity.
- Leaving the UK to avoid becoming a Long-Term Resident (LTR) and being subject to UK IHT of your worldwide estate. Individuals approaching 10 years of UK residence should consider their position before they enter the UK IHT regime.





Making Tax Digital for Income Tax (MTDIT)

Making Tax Digital for Income Tax (MTDIT) begins its phased rollout from 6 April 2026, bringing significant change for self-employed individuals and landlords.

From that date, MTDIT will apply to those with annual gross self-employment and/or property income over £50,000, extending to those exceeding £30,000 from April 2027 and £20,000 from April 2028.

Taxpayers within scope must keep digital records, submit quarterly updates, and finalise their annual tax position using compatible software. As HMRC will use 2024/25 tax returns to identify who is mandated from April 2026, we strongly encourage our clients to review their bookkeeping systems now, confirm software readiness, and speak with us as early as possible to ensure you are fully compliant well before the new requirements take effect.



Meet the Private Client Tax team

Our specialist team will collaborate closely with you to ensure that we take time to understand your personal affairs, your key goals and future aspirations. We can provide tailored tax advice to suit your circumstances. This will be solution based to provide the best outcome for you and your family.



Clare Eve
Director



Holly Heslop
Manager




Ashley Stoller
Senior Manager



Martin Quinton
Manager



Adela Cebotari
Associate Director

Contact the team 

A man and a woman are in an office setting, looking at documents together. The man is on the left, wearing a dark blue zip-up jacket with a red and white logo on the chest. He is smiling and looking towards the woman. The woman is on the right, wearing a dark blue long-sleeved top and a patterned scarf. She is looking down at a document she is holding. The background shows a whiteboard with colorful sticky notes and office equipment.

Year End Tax Planning for Employers

2025/26

End of the tax year: Employers

As the end of the tax year approaches for employers, it is a great opportunity to review your payroll processes, employment tax position and reward structures. Decisions taken before 5 April can have a meaningful impact on employer costs, employee engagement, and HMRC compliance risk.

With increasing HMRC focus on employment taxes, rising wage costs, and ongoing legislative change, proactive year-end planning is essential to ensure payroll operates efficiently, compliantly, and in a commercially effective way.



PAYE and payroll: Getting the fundamentals right

Payroll remains one of the most common areas of HMRC enquiry. Errors in PAYE operation, RTI reporting, or employee data can quickly escalate into penalties, interest, and time-consuming investigations.

Before the tax year end, employers should review whether payroll records accurately reflect employee starters and leavers, changes in pay or contractual terms, statutory payments, tax codes, and National Insurance categories. Issues identified early can often be corrected before P60s are issued, reducing the risk of post-year-end HMRC challenge.

Key dates and deadlines — 2025/26

- 5 April 2026 — End of the 2025/26 tax year
- 19 April 2026 — Final FPS submission deadline for the 2025/26 tax year
- 31 May 2026 — Deadline to provide P60s to employees





Employment Allowance: A valuable opportunity not to be missed

From April 2025, the eligibility rules for the Employment Allowance were widened, with the removal of the £100,000 employer Class 1 National Insurance threshold. As a result, significantly more employers are now entitled to claim this relief.

The Employment Allowance allows eligible employers to reduce their employer Class 1 National Insurance liability by up to £10,500 per tax year, delivering a direct saving on payroll costs.

Many employers continue to assume they are not eligible based on historic thresholds and therefore fail to claim the allowance. With payroll costs increasing across most sectors, this represents a genuine missed opportunity.

Employers should review their eligibility, particularly where payroll costs or headcount have grown in recent years. Where eligible, the allowance is claimed through payroll and can be applied during the tax year or retrospectively, subject to HMRC time limits.

Key dates and deadlines — 2025/26

- Claim can be made from 6 April 2025 through payroll
- Retrospective claims are generally possible for up to four prior tax years

Termination payments: Managing risk at the point of exit

Termination payments remain an area of significant HMRC scrutiny. The correct distinction between taxable pay, post-employment notice pay, and tax-free elements is often misunderstood, particularly where contractual notice provisions are unclear or historic practices are followed.

Employers should review any leavers during the year to ensure termination payments have been taxed correctly and supported by appropriate documentation. This is especially important where settlement agreements are used, as HMRC can and does revisit historic terminations as part of wider employment tax reviews.

Early advice at the point of exit can significantly reduce the risk of retrospective PAYE and NIC liabilities.

National Minimum Wage: An increasing compliance focus

National Minimum Wage compliance now extends far beyond basic hourly rates. HMRC increasingly reviews deductions, salary sacrifice arrangements, uniforms, training costs, and working time calculations.

Employers should consider whether any payroll practices could inadvertently reduce pay below minimum wage levels, particularly for lower-paid employees, those with variable hours, or where salary sacrifice arrangements are in place.

The consequences of non-compliance are severe, including financial penalties, back-dated arrears, and public naming.

Salary sacrifice: Balancing efficiency and compliance

Salary sacrifice continues to offer valuable tax and NIC savings when implemented correctly. Pension contributions, electric vehicles, and cycle-to-work schemes remain popular and effective.

However, arrangements must be properly documented, reflected accurately in payroll, and reviewed regularly to ensure they remain compliant and commercially appropriate. Year-end provides a natural opportunity to assess whether existing arrangements are still delivering value and whether new benefits should be introduced from the start of the next tax year.

Employment Status and Self-Employed Engagements

Employers engaging individuals on a self-employed basis should ensure that the underlying employment status is reviewed regularly. Where an individual is engaged directly (i.e. not through a limited company or intermediary), IR35 does not apply; however, the engager remains responsible for determining whether the individual is genuinely self-employed for tax purposes.

Incorrect classification of a worker as self-employed can result in exposure to:

- PAYE income tax and National Insurance Contributions;
- Employer NIC liabilities;
- Interest and penalties following HMRC review.

Employment status is determined by reference to HMRC case law principles, including:PAYE

- The degree of control exercised by the engager;
- Mutuality of obligation;
- The right of substitution; and
- Whether the individual is operating a business on their own account.

Employers should review self-employed arrangements in advance of the tax year end, particularly where working practices may have evolved over time.





Off-payroll working (IR35)

For organisations engaging contractors through personal service companies, the off-payroll working rules continue to present both compliance risk and administrative burden.

Employers should review whether status determinations remain appropriate, whether working practices have changed during the year, and whether payroll treatment aligns with determinations made.

HMRC continues to pursue engagers where assessments are incorrect or insufficiently evidenced, often looking back several years.

Apprenticeship levy and workforce planning

Employers with a pay bill in excess of £3 million should review whether apprenticeship levy funds are being fully utilised, as unused funds expire after 24 months.

Smaller employers may also wish to consider whether training and development plans could benefit from available funding or co-investment arrangements. Aligning training strategy with workforce planning can deliver longer-term commercial benefits beyond simple compliance.

Share incentives and equity rewards

Where share schemes or equity-based rewards are in place, employers should ensure reporting obligations are understood and met.

All share schemes must be registered with HMRC, and annual Employment Related Securities (ERS) returns must be submitted even where no transactions have occurred.

Key dates and deadlines — 2025/26

- 6 July 2026 — Deadline to submit ERS returns for 2025/26
- 6 July 2026 — Deadline to register any new share schemes implemented during the year





Looking ahead: Planning for the new tax year

As well as closing off the current tax year, employers should look ahead and consider how changes to pay structures, benefits, staffing levels, and payroll systems will impact costs and compliance in the year to come.

Early planning allows employer NIC and wage costs to be budgeted accurately, changes to reward strategies to be communicated clearly, and payroll systems and controls to be updated ahead of legislative change.

Key dates at a glance: 2025/26 and looking ahead to 2026/27

Date	Deadline/Event	Notes/Employer Action
6 April 2025	Start of 2025/26 tax year	Payroll settings, benefits, salary sacrifice arrangements, and tax codes take effect for the new tax year.
From 6 April 2025 onwards	Employment Allowance	Eligible employers can claim up to £10,500 to reduce employer Class 1 NIC. Eligibility should be reviewed early to avoid missing the allowance.
Before 6 April 2026	Register to payroll benefits for 2026/27	Employers wishing to payroll benefits in the 2026/27 tax year must be registered with HMRC by this date.
Before 6 April 2026	Salary sacrifice changes	Any changes to salary sacrifice arrangements intended to apply from 2026/27 should be implemented before the new tax year begins.
5 April 2026	End of 2025/26 tax year	Review payroll data, benefits, expenses, and termination payments; ensure records are complete for year-end reporting.
6 April 2026	Start of 2026/27 tax year	New PAYE tax codes apply; updated thresholds and rates take effect. Payroll systems and benefit arrangements should be reviewed to ensure compliance from the first pay run of the new tax year.
19 April 2026	Final FPS for 2025/26	Submit the final Full Payment Submission (FPS) for the 2025/26 tax year, confirming all pay and NIC figures.
31 May 2026	P60s to employees	Provide all employees with their P60 summarising pay and deductions for the 2025/26 tax year.
6 July 2026	P11D and P11D(b) returns due	Submit returns for benefits and expenses not payrolled and report Class 1A NIC liabilities.
6 July 2026	ERS returns due	Submit Employment Related Securities (ERS) returns for share schemes for 2025/26 and register any new schemes where applicable.
22 July 2026	Pay Class 1A NIC	Deadline for payment of Class 1A NIC on benefits not payrolled (19 July 2026 if paying by cheque).

A man wearing a black turban and a blue checkered suit jacket is sitting at a table in a bar, working on a silver laptop. The background is a blurred bar with shelves of bottles and warm lighting. The text 'Year End Tax Planning for Business Owners' is overlaid on the left side of the image in white, and '2025/26' is overlaid below it in orange.

Year End Tax Planning for Business Owners

2025/26

Profit Extraction for Limited Companies

With varying tax rates and the recent increase in Employer's NIC, before we reach the end of the tax year, it is beneficial to consider the tax efficiency of profit extraction from your business.

How you extract your profits from your business can include:

- Salary
- Dividends
- Pension
- Benefits
- Rent on a property you own

The way in which you do so can have a significant tax impact on you personally but also on your company. The best approach will depend on your personal circumstances.

Reviewing Profit Extraction

It is important to review the way in which profit extraction from your company is undertaken. From 6 April 2026 both the basic rate and higher rate tax on dividend income will increase by 2% and so the method of extracting profits from your limited company and the split between salary, dividend and pension contributions should be reviewed to ensure tax efficiency is maintained.

If you are considering extracting a sum of money from your company in the near future, please contact us as a matter of urgency to understand how best to do this.

Accelerating dividend payments before 6 April 2026

Accelerating dividend payments before 5 April 2026 may offer worthwhile tax savings, as the November 2025 Budget confirmed a 2 percent increase to the basic and higher dividend tax rates from 6 April 2026.

Bringing distributions forward can help mitigate these higher rates, particularly for company owners and investors expecting sizeable dividends, though this should be balanced against cash-flow needs and overall remuneration planning.



Maximise Capital Allowances

If your business uses significant equipment and fixtures ensure claims are made for:

- Annual Investment Allowance of up to £1m
- Full expensing to gain 100% relief for costs incurred on acquisitions of brand new equipment
- 50% relief on long life assets
- Structure and building allowances on acquisition and enhancement of commercial buildings or their construction

Any plant and machinery expenditure that does not qualify for annual investment allowance (AIA) or first year allowance (FYA) may only obtain relief at a writing down allowance of 18% (reducing to 14% after 6 April 2026). With the writing down allowance reducing to 14% it is beneficial to review the last two years of additions to identify any expenditure that may have been overlooked or not claimed.

Business Asset Disposal Relief (BADR)

BADR is available on certain business disposals by charging a lower rate of CGT on the first £1m of gains.

For those looking to exit a business, the tax rate on gains qualifying for BADR is 14% for disposals made on or after 6 April 2025 and will increase to 18% with effect from 6 April 2026. There is a small window of opportunity to claim BADR at the lower rate.

Gains above the BADR limit will be taxed at the standard rate of 24%.

Preparing for IHT changes

From 6 April 2026 the first £2.5 million of agricultural and business property will receive 100% relief from IHT.

50% relief will be available for amounts over £2.5 million.

For married couples and civil partners it is therefore possible to have a combined allowance of up to £5 million.

These allowances refresh every 7 years so it's important in terms of succession and IHT planning to consider a gifting strategy during your lifetime.

Where outright gifts are not suitable, a business owner could consider utilising a trust as an alternative option. The trust structure provides additional benefits over and above an outright gift in terms of control, protection and flexibility.

There is a small window of opportunity to transfer unlimited business and agricultural property into trust before 5 April 2026. Thereafter the £2.5 million allowance will apply.

Trading vs Investment

Business Property Relief is available for trading companies. This relief is not available for investment companies.

Where the nature of the activities of a trading business is likely to change over time, it is important to consider the share structure of the company before the business activities evolve into investment.

Such forward planning can assist with transferring wealth to the next generation and beyond tax efficiently and help assist with future IHT exposure.

Accountants, Tax and Business Advisers

As a challenger accountancy firm, we are setting the standard in building stronger, more valuable relationships with our clients and colleagues.

50+50

Ranked 34th among the
Accountancy Age UK's Top 50+50

“

Affinia's team has constantly gone above and beyond, demonstrating an unparalleled commitment to our financial well-being. Their availability to address our queries and concerns, regardless of the time or complexity, has been a testament to their dedication and professionalism.

Ryan Jiggins

Maze Logistic Solutions

Get in touch with one of our expert team today.

Contact us to learn more →