Personal Tax Rates & Allowances

1. All rates and allowances listed are correct for the tax year 2026/27
2. All allowances cover the period from 6 April- 5 April.
3. This considers England & Wales tax rules only.

Category	Basic Rate	Higher Rate	Additional Rate
Income Tax			
Tax Rate	20%	40%	45%
Taxable Income Band	£12,571 – £50,270	£50,271 – £125,140	Over £125,140
Personal Allowance	£12,570	£12,570*	£0*
Savings Income			
Savings Allowance	£1,000	£500	£0
Savings Tax Rate	20%	40%	45%
	There is a maximum further allowance of £5,000, referred to as the "starting rate for savings". Every £1 of other income (not savings) above your Personal Allowance reduces your starting rate for savings by £1.		
Dividend Income			
Dividend Allowance	£500	£500	£500
Dividend Tax Rate	10.75%	35.75%	39.35%
Capital Gains			
Annual Exempt Amount	£3,000	£3,000	£3,000
Capital Gains Tax (CGT) Rate	18%	24%	24%
CGT Rate (Residential Property)	18%	24%	24%

***Personal allowance reduces by £1 for every £2 earned over £100,000 and is fully removed at £125,140**

Other Considerations

Marriage Allowance	Marriage Allowance: How it works - GOV.UK
Blind persons allowance	Blind Person's Allowance: Overview - GOV.UK
Rent-a-room property income	Rent a room in your home: The Rent a Room Scheme - GOV.UK
First £1,000 of self-employed income	Working for yourself - GOV.UK

Income Tax rates and Personal Allowances : Current rates and allowances - GOV.UK

Personal Tax Rates & Allowances Considerations

Income (non-savings, non-dividend)

- Employment Income (Salary, wages, commission, bonuses, benefits in kind)
- Self-Employment Profits
- Rental Income from Property
- Pension income (private, workplace or state)

Savings Income

- Bank and building society interest
- Interest from government or corporate bonds
- Interest from peer-to-peer lending

Dividend Income

- Dividends from UK and overseas companies
- Distributions from investment funds
- Dividends from shares in personal companies

Capital Gains

Capital gains arise when an asset is sold or disposed of for more than its purchase cost.

Applies to:

- Shares & Securities
- Investment Funds
- Second homes or buy-to-let properties
- Business Assets
- Land
- Valuable personal possessions worth over £6,000 (e.g. Art, Jewellery, antiques etc)

Does not apply to:

- Your main home (covered by private residence relief)
- Cars and other wasting assets
- Assets transferred to your spouse/civil partner
- UK Government Gilts, Premium bonds or qualifying corporate bonds (QCB profits are tax free but losses are not allowable).
- Betting, lottery or pool winnings.

Reduced rates associated with Business Asset Deposit Relief (BADR)

Charges can be deferred under Business Asset Rollover Relief

Charges can be deferred if reinvested into an Enterprise Investment Scheme or Seed Enterprise Investment Schemes

Charges can be deferred through Hold-Over Relief

Capital Gains Tax on personal possessions: Possessions with a limited lifespan - GOV.UK

Capital Gains Tax on personal possessions: What you pay it on - GOV.UK

Individual Savings Allowance (ISA) subscription Allowances

Annual ISA Allowances

Adult (18+)	£20,000
Junior ISA (Under 18)	£9,000

From April 2027 the **Cash ISA allowance is set to change for 18–65-year-olds and will reduce to £12,000, the remaining £8,000 allowance can still be added to a Stocks & Shares or Innovative Finance ISA**

Key Rules

- The £20,000 allowance can be split across multiple ISA types and providers as long as the total contribution does not exceed the maximum.
- The one-year double allowance for 17/18-year-olds. In the tax year an individual turns 18, up to £9,000 may be contributed to a Junior ISA (by a parent or grandparent) before the 18th birthday and up to £20,000 to an adult ISA after turning 18.

Common ISA Types

- Cash ISA – savings accounts earning interest
- Stocks & Shares ISA – investments such as shares, funds, and bonds
- Lifetime ISA (LISA) – for first home purchase or retirement *
- Innovative Finance ISA – peer-to-peer lending investments

Tax Benefits

Income within an ISA is **NOT** subject to**:**

- Income tax on interest
- Dividend tax
- Capital Gains Tax

Lifetime ISAs

A government saving incentive for first time buyers and/or those saving for retirement.

Annual allowance of £4,000

The government will add 25% bonus to any contributions into the account, up to £1,000. Providing an annual total contribution of £5,000.

Contributions can be made from the age of 18-50. Assuming the first payment into the account has been done before your 40th birthday.

When can you withdraw from a lifetime ISA?

1. For the purchase of your first home.
2. You are aged over 60.
3. You are terminally ill, with less than 12 months to live.

Withdrawals for any other purpose will result in a charge of 25%.

Key considerations for house purchase:

- The property must be worth £450,000 or less
- The purchase must be at least 12 months after you make the first payment into the LISA
- The payment will only be made to a conveyancer or solicitor
- You must have a mortgage in place (it cannot be a private mortgage). *Lifetime ISA: Overview - GOV.UK

Pension Contribution Allowances

Pensions provide tax relief on contributions to encourage retirement saving.

Standard Annual Allowance

£60,000 per tax year

Non-earners may contribute up to £2,880 net (£3,600 gross) and still receive tax relief.

Unused allowance from the previous three tax years may be carried forward if eligible. Previous years have had different maximum allowances (2021-2023 was £40,000.00 per tax year).

Tapered Annual Allowance

High earners may have their pension allowance reduced.

Condition	Amount
Threshold income	£200,000
Adjusted income	£260,000

Threshold Income Includes:

- Employment income including bonuses
- Rental income
- Dividend income
- Savings interest
- Trading profits

If threshold income is £200,000 or less, tapering does not apply, regardless of adjusted income.

Adjusted income is total taxable income plus pension contributions.

Includes:

- All taxable income
- Employer pension contributions
- Personal pension contributions (gross)

N.B. If you believe your income may have reached tapering thresholds we highly recommend you take personal tax advice before contributing to a SIPP.

Money Purchase Annual Allowance (MPAA)

The MPAA applies when an individual starts flexibly accessing their pension.

MPAA Limit

£10,000 per year

When MPAA is Triggered

Examples include:

- Taking flexible drawdown income
- Taking uncrystallised funds pension lump sums (UFPLS)

Effects:

- Limits further tax-relieved contributions to defined contribution pensions

- Carry forward cannot be used once MPAA applies

Self-Invested Personal Pension (SIPPs)

- SIPPs allow individuals to contribute directly to their pension and receive tax relief.
- Pension contributions can be made by an employer or the employee.
- When made by the employee they are therefore made net of tax.
- Most SIPPs operate on a relief-at-source basis, meaning contributions are made net of basic rate tax and the provider reclaims 20% from HMRC:

Example:

Personal Contribution	Tax Relief Added	Total Pension Contribution
£8,000	£2,000	£10,000

For Higher and Additional rate taxpayers, the additional tax can be claimed as tax relief as part of a self-assessment tax return. On the above example, a higher rate taxpayer would be reducing their overall tax bill by a further £2,000.

Pension Death Benefits

Pensions do not automatically follow the terms of the owner's Will. Therefore, it is important to complete an expression of wishes form; this gives the pension trustees clear guidance on how the funds should be allocated between beneficiaries after death.

For the tax 2026/27 tax year, pensions will not be subject to Inheritance tax. However, as of April 6th 2027, they are likely to be included in the value of the estate and subject to the full 40% rate of tax (where applicable). ***This change has not yet been legislated.***

When choosing a pension provider or considering a pension transfer, it is important to consider the flexibility of benefits afforded to your beneficiaries. There are generally three common options:

1. **Beneficiary Drawdown**: the pension stays invested and the beneficiary withdraws money as and when required- either as regular income, a one-off lump sum or ad hoc lump sums. Any money that remains invested in the drawdown account is free of capital gains or income tax.
   Tax Treatment- withdrawals are tax free if the person died before the age of 75 or taxed at the beneficiary's marginal rate of tax if the person died after 75.
2. **Lump Sum Payment**: The entire pot is paid to the beneficiary in one payment following the owner's death.
   Tax Treatment – tax free if the individual died before their 75th birthday or taxed as income if after their 75th birthday.
3. **Beneficiary Annuity**: The beneficiary can use the pension fund to buy an annuity and provide guaranteed income for life.
   Tax Treatment – same as above.
4. **Minor Beneficiaries** – If the beneficiary is under 18, the pension may;
   - Be held in trust
   - Be managed by guardians

Not all pension providers offer all options. Beneficiary drawdown is often not an option provided by large occupational pension providers, and this is a particular problem where tax may apply as it could result in an unnecessarily large tax bill.

Tax on your private pension contributions: Annual allowance - GOV.UK

Check if you have unused annual allowances on your pension savings - GOV.UK

Work out your reduced (tapered) annual allowance - GOV.UK

Inheritance Tax (IHT)

Key IHT Summary

Allowance / Rule	Amount
Nil Rate Band (NRB)	£325,000*
Residence Nil Rate Band	£175,000*
Annual gift exemption	£3,000 (can be carried forward 1 year)
Small gift exemption	£250
Marriage gifts	£1,000–£5,000**
Standard IHT rate	40%
Reduced charitable rate	36%

*Maximum combined allowance for couples:

Allowance Type	Amount
Standard NRB (2 × £325,000)	£650,000
Residence NRB (2 × £175,000)	£350,000
Total Potential Tax-Free Estate	£1,000,000

*Marriage / Civil Partnership Gifts:

Relationship	Maximum Gift
Parent	£5,000
Grandparent	£2,500
Anyone else	£1,000

Taper Relief

If death occurs between **3 and 7 years**, the tax on the gift may be reduced.

Years Between Gift and Death	Tax Payable (of 40%)
0–3 years	100%
3–4 years	80%
4–5 years	60%
5–6 years	40%
6–7 years	20%
7+ years	0%

Gifts Out of Excess Income

Certain gifts are fully exempt from IHT if they meet specific conditions.

Conditions

The gift must:

1. Be made from surplus income (not capital)
2. Be part of a regular pattern of giving
3. Not reduce the donor's standard of living

Examples:

- Regular payments into a child's savings account
- Paying school fees for grandchildren
- Regular transfers to family members

There is no monetary limit for this exemption if the conditions are satisfied.

Business Property Relief (BPR)

Business Property Relief reduces the value of qualifying business assets for Inheritance Tax purposes.

The relief can reduce the taxable value of business property by 50% or 100%.

Asset Type	**Relief Available**
Business or interest in a business	100%
Shares in an unlisted trading company	100%
Shares listed on AIM (treated as unlisted)	100%
Controlling shareholding in a quoted company	50%
Land or buildings used by a company the individual controls	50%
Land or buildings used by a partnership	50%

New Relief Structure (From April 2026)

Value of qualifying APR/BPR assets	Relief
First £2.5 million	100% relief
Amount above £2.5 million	50% relief

This means:

- Qualifying agricultural and business property will receive 100% relief on the first £2.5 million of combined value. Any value above this will receive 50% relief. i.e. assets above the allowance will effectively face **20% IHT** (because 50% relief on a 40% tax rate).

Inheritance tax can be paid in instalments over up to 10 years for qualifying assets.

This document is intended for general information and educational purposes only. The tax rates, allowances, and rules described are based on UK legislation and guidance available at the time of writing for the 2026/27 tax year, but tax law is subject to change and individual circumstances may affect how rules apply.

This document does not constitute financial, legal, or tax advice, and it should not be relied upon as a substitute for professional advice. No responsibility is accepted for any loss arising from reliance on the information contained within this document.

Readers should consult HM Revenue & Customs guidance or a qualified tax adviser before making financial or tax-related decisions.