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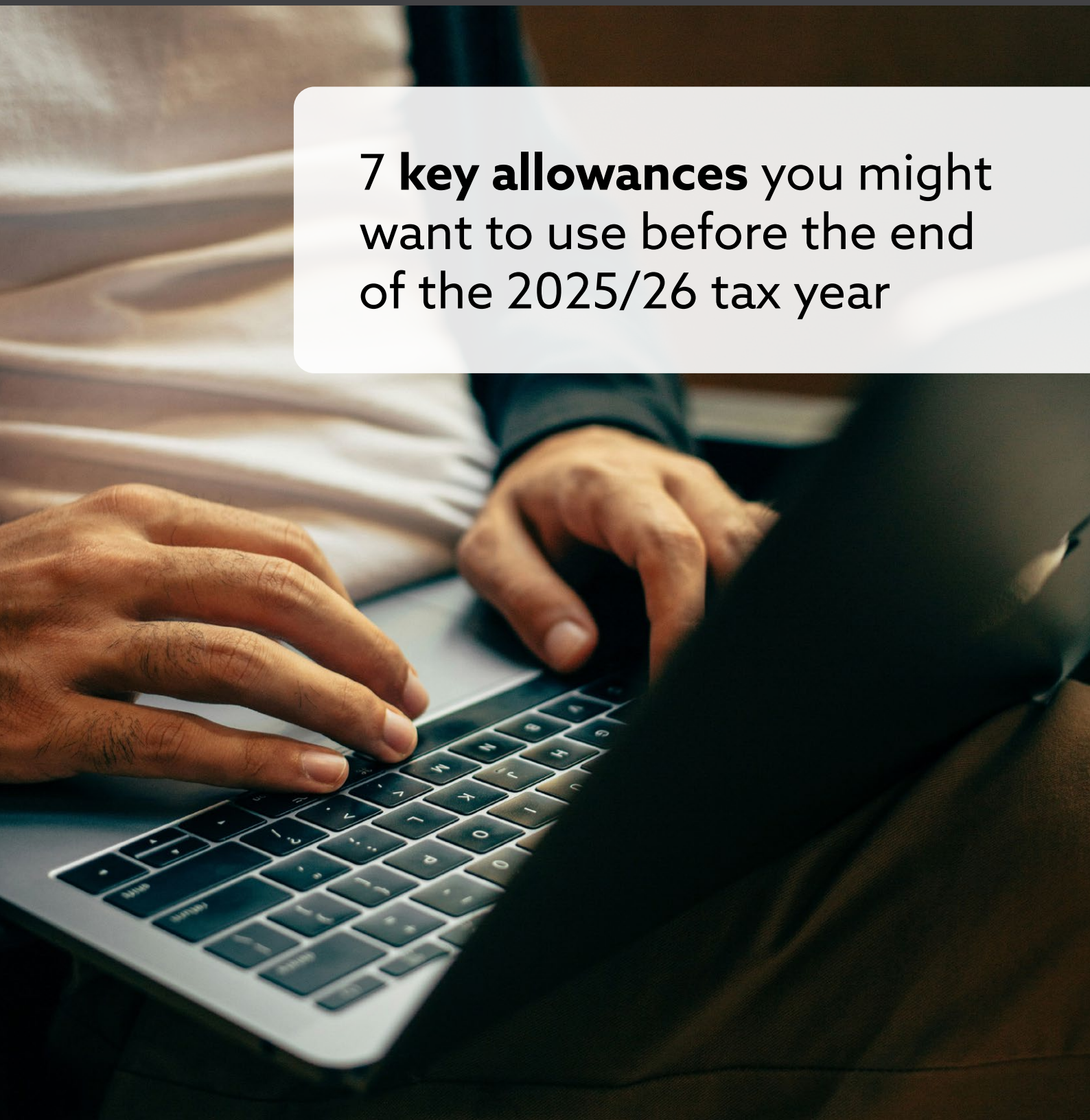
vwm
WEALTH PLANNING

7 **key allowances** you might want to use before the end of the 2025/26 tax year



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The new tax year will start on 6 April 2026, and many of your important allowances and exemptions will reset. So, checking whether you could use these valuable allowances before the end of the 2025/26 tax year on 5 April 2026 might help your money go further.

Before you make any decisions, ensure that you understand which allowances fit into your financial plan and suit your goals. If you have any questions, please contact us.

Read on to discover seven allowances and exemptions you may want to make the most of before the end of the current tax year.

Please note: Tax treatment varies according to individual circumstances and is subject to change.

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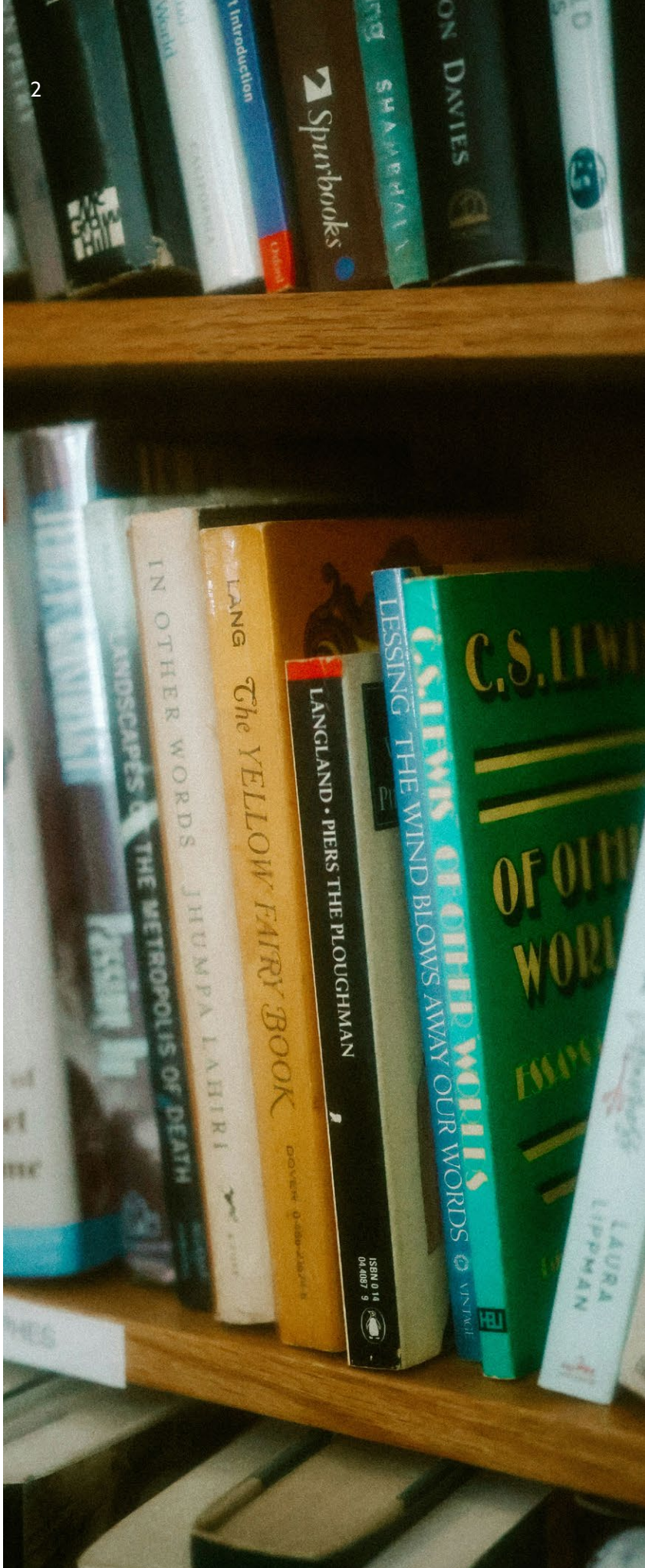
The Financial Conduct Authority does not regulate tax planning.



1. ISA allowance

2025/26 allowance: £20,000

ISAs may allow you to save or invest tax-efficiently. In 2025/26, you can contribute up to £20,000 across the range of available ISAs.

Any interest or returns generated on money held in an ISA are free from Income Tax and Capital Gains Tax (CGT). However, you may pay unrecoverable tax on income from stocks and shares received by ISA managers.

As a result, you could reduce your tax bill by using an ISA to save or invest.

Your ISA allowance will expire at the end of the tax year if you don't use it.

For adults, there are five different types of ISA you may be able to contribute to before the end of the 2025/26 tax year.

In 2023 to 2024, around 15 million adult ISAs were subscribed to, with savers collectively adding around £103 billion.

That's up from around 12.4 million and nearly £72 billion in 2022 to 2023.

Source: gov.uk (18 September 2025)

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1. Cash ISA

A Cash ISA is similar to a traditional savings account, but the interest you earn is free from Income Tax.

Savings held outside of an ISA could be liable for Income Tax if the total interest exceeds the Personal Savings Allowance (PSA). Your PSA depends on your Income Tax band.

If you're a:

> Basic-rate taxpayer, your PSA is £1,000
>
> Higher-rate taxpayer, your PSA is £500
>
> Additional-rate taxpayer, your PSA is £0.

Some Cash ISAs may impose restrictions, such as limiting withdrawals for a defined period. It's important to understand which account is right for your goals and time frame.

IMPORTANT CHANGES TO THE ISA ALLOWANCE FOR CASH ACCOUNTS

From April 2027, the ISA allowance will change for under-65s.

The allowance for Cash ISAs will effectively fall to £12,000, with £8,000 of the allowance reserved for investments. You will still be able to pay the full allowance into investment accounts, including Stocks and Shares ISAs.

Over-65s will retain the right to pay the full £20,000 into cash accounts.

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2. Stocks and Shares ISA

Through a Stocks and Shares ISA, you can invest in a range of assets, including individual shares or investment funds. Any investment returns are free from CGT. If you want to invest to grow your wealth, a Stocks and Shares ISA may be the right option for you.

Remember, investments carry risk. It's essential you understand your risk profile and choose investments that are right for you and your goals.

Since April 2024, the government has permitted multiple subscriptions to ISAs of the same type, as well as partial transfers.

Thanks to these changes, you may be able to access better interest rates and choose accounts that better suit your needs. For example, you may want to deposit some of your £20,000 allowance in a Cash ISA that restricts withdrawals to benefit from a fixed interest rate, while also placing some money in an easy access Cash ISA.

3. Lifetime ISA

If you're aged between 18 and 39, you can open a Lifetime ISA (LISA). Once you've opened a LISA, you can continue to make contributions until you're 50. You can hold your deposits in cash or choose to invest them.

A LISA is designed to help you save to buy your first home or to boost your retirement fund.

You can add a maximum of £4,000 to a LISA in the 2025/26 tax year, which counts towards your overall ISA allowance (£20,000 in 2025/26). This threshold is frozen until April 2031.

You will also benefit from a 25% government bonus on contributions. So, you can receive up to £1,000 in bonuses each tax year if you contribute the maximum £4,000.

Note that you will incur a LISA government withdrawal charge (currently 25%) if you transfer the funds to a different ISA or withdraw the funds before age 60 for any other purpose than buying your first home. So, you may get back less than you paid into a LISA.

By saving in a LISA, instead of enrolling in or contributing to an auto-enrolment pension scheme, occupational pension scheme, or personal pension scheme, you may:

> Lose the benefit of contributions from your employer (if any) to that scheme
>
> Affect your current and future entitlement to means-tested benefits (if any).

In early 2026, the government will consult on reforms to the LISA and then announce plans to replace it with a new ISA aimed at first-time buyers.

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4. Innovative Finance ISA

An Innovative Finance ISA allows you to invest in peer-to-peer loans. These kinds of investments are usually higher risk than traditional alternatives. As a result, they are not appropriate for many investors.

5. Help to Buy ISA

The Help to Buy ISA is now defunct, and you cannot open a new one. However, if you already have one, you can continue to make deposits until November 2029.

This type of Cash ISA is designed to help first-time buyers save for a property deposit. You can add up to £200 a month, and the government will provide a 25% bonus (up to £3,000) when you buy your first home. To receive the bonus, you will need to buy your first home by November 2030.

SHOULD YOU SAVE OR INVEST THROUGH AN ISA?

If you're considering contributing to an ISA, one of the first decisions you might need to make is whether to save or invest. They both have benefits and drawbacks, so it's crucial to understand your personal goals.

According to government data (18 September 2025), 66.2% of ISAs were subscribed to in cash in 2023 to 2024. Generally speaking, a Cash ISA can be useful if you're putting money aside for an emergency fund or short-term goals, as the money isn't exposed to investment risk. However, as interest rates are often lower than the rate of inflation, the value of your money is likely to fall in real terms.

Meanwhile, investing through a Stocks and Shares ISA could offer a way to grow your money at a faster pace than inflation, although this growth isn't guaranteed. Investing also involves taking on risk, and the value of your ISA could be affected by market volatility.

As a result, investing is often used for long-term goals, as an extended time frame provides a chance to smooth out the ups and downs of the market over time.

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2. Junior ISA allowance

2025/26 allowance: £9,000

Similar to their adult counterparts, Junior ISAs (JISAs) offer a tax-efficient way to save or invest for a child.

You can deposit up to £9,000 into JISAs for each child in the 2025/26 tax year. If you don't use the allowance before the end of the tax year, you will lose it. This threshold is frozen until April 2031.

Again, in a similar vein to adult ISAs, you can choose a Cash JISA or a Stocks and Shares JISA, with the interest and returns being free from Income Tax and CGT. However, you may pay unrecoverable tax on income from stocks and shares received by the ISA managers.

JISAs may offer a useful way to set money aside for your child or grandchild. Those funds could help them reach important life milestones, such as paying for university or buying their first home.

Keep in mind that money held in a JISA isn't usually accessible until the child turns 18. Once they reach adulthood, the JISA will become an ISA, and the child can use the money however they wish.

Government figures (18 September 2025) show that around 1.37 million JISAs were subscribed to in 2023 to 2024.

DON'T OVERLOOK MONEY HELD IN A CHILD TRUST FUND

If your child was born between 1 September 2002 and 2 January 2011, the government will have opened a Child Trust Fund in their name.

The account would have been opened with an initial deposit and may have benefited from further contributions.

You can add up to £9,000 to an existing Child Trust Fund in 2025/26, and there is no tax to pay on any income or profit it makes.

However, you may want to consider transferring the money to a JISA. You could find JISAs offer a more competitive interest rate and the option to invest if you choose.

Note that you cannot have a JISA and a Child Trust Fund. If you would like to open a JISA for a child who already has a Child Trust Fund, you will need to ask the provider to transfer the funds into the new account.

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3. Dividend Allowance

2025/26 allowance: £500

If you're a business owner or hold shares in dividend-paying companies, you might receive dividends.

You don't pay tax on dividends that fall within your Personal Allowance, which is £12,570 in 2025/26. This threshold is frozen until 2031. You also do not pay tax on dividends from shares that are held in an ISA, but you may pay unrecoverable tax on income from stocks and shares received by the ISA managers.

The Dividend Allowance could increase how much you can receive through dividends before tax is due by £500 in the current tax year. It is not possible to carry forward your Dividend Allowance to use in a future tax year.

The amount of tax you pay on dividends that exceed this threshold will depend on which Income Tax band(s) the dividends fall within once your other income is considered. For 2025/26, the tax rates on dividends are:

- Basic rate: 8.75%
- Higher rate: 33.75%
- Additional rate: 39.35%.

However, from 6 April 2026, the basic and upper rates of tax on dividend income will rise by two percentage points. So, in the 2026/27 tax year, the rates will be:

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

Despite this increase, dividends could still provide a tax-efficient way to increase your income as the tax paid could be lower than Income Tax.

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4. Capital Gains Tax Annual Exempt Amount

2025/26 allowance: £3,000

You may need to pay Capital Gains Tax (CGT) when selling or "disposing of" certain assets that have increased in value.

Assets that may be liable for CGT include:

> Properties that aren't your main home
>
> Investments that aren't held in a tax-efficient wrapper such as an ISA or pension
>
> Personal possessions that are worth more than £6,000 (excluding your car).

CGT is due if the overall gains exceed your tax-free allowance, known as the "Annual Exempt Amount". In 2025/26, this is £3,000 for individuals.

You only pay CGT if your overall gains for the tax year (after deducting any losses and applying any reliefs) are above the Annual Exempt Amount. So, you may be able to reduce a potential tax liability by making gains up to this amount each tax year.

If CGT is due, the rate you pay will depend on which tax band(s) the taxable gains fall into when added to your other income. Since 30 October 2024:

> The lower rate of CGT is 18%.
>
> The higher rate of CGT is 24%.

The Annual Exempt Amount cannot be carried forward to the next tax year.

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5. Marriage Allowance

2025/26 allowance: £1,260

The Marriage Allowance could allow your spouse or civil partner to transfer some of their unused Personal Allowance to you.

The Personal Allowance is the amount you can earn before you could be liable for Income Tax. In the 2025/26 tax year, the Personal Allowance is £12,570, and it's frozen at this level until April 2031.

If your partner isn't using their full Personal Allowance, they may be able to transfer £1,260 to you. In doing so, you could reduce your overall tax bill by up to £252 in 2025/26.

To be eligible, you must pay Income Tax at the basic rate in England, Wales, or Northern Ireland. This usually means your total income is between £12,571 and £50,270.

If you're based in Scotland, you must pay Income Tax at the starter, basic, or intermediate rate. Typically, this means your income will be between £12,571 and £43,662.

You can backdate the Marriage Allowance for up to four years. That means you have until 5 April 2026 to use your entitlement from the 2021/22 tax year.

FINANCIAL PLANNING WITH YOUR PARTNER COULD BE VALUABLE

The Marriage Allowance isn't the only benefit of creating a financial plan with your spouse or civil partner.

Many allowances and exemptions are individual. So, you could choose to pass assets to your partner to make the most of both of your allowances, such as the ISA allowance.

If you'd like to find out how you could make a long-term financial plan with your partner that places your goals at the centre, get in touch.

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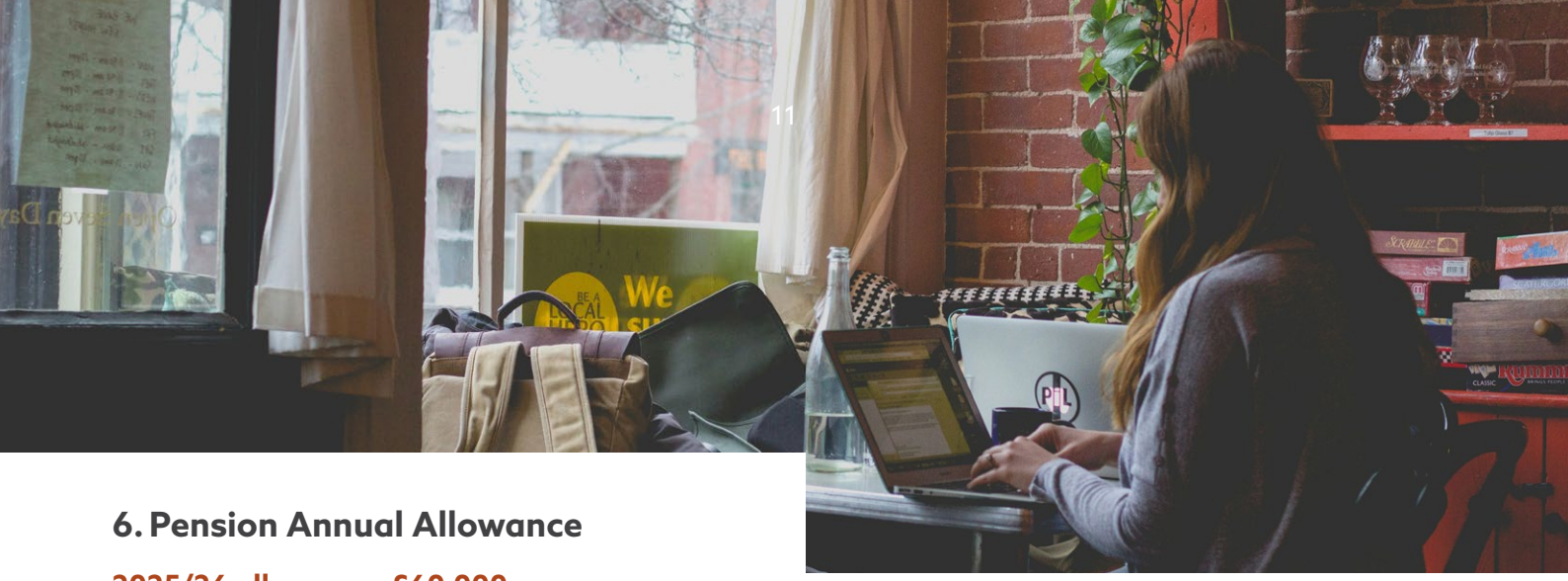

6. Pension Annual Allowance

2025/26 allowance: £60,000

The pension Annual Allowance is the maximum amount you can contribute to a pension each tax year while still receiving tax relief and without incurring additional tax charges.

It covers contributions made by you, your employer, and other third parties. However, you can only claim tax relief on up to 100% of your annual earnings.

There are instances where your Annual Allowance may be lower:

1. If you've already flexibly accessed your defined contribution (DC) pension. In this case, you might be subject to the Money Purchase Annual Allowance (MPAA), which reduces how much you can tax-efficiently add to your DC pension to £10,000 in 2025/26.
2. If both your adjusted net income (your income plus the pension contributions you and your employer make) is more than £260,000 and your threshold annual income (your income excluding reliefs such as pension contributions) is more than £200,000. If you exceed both these thresholds, your Annual Allowance will usually fall by £1 for every £2 your income exceeds £260,000. Your allowance can be reduced by a maximum of £50,000, leaving you with an Annual Allowance of £10,000 if your income is £360,000 or more.

The Annual Allowance can be carried forward for up to three tax years. So, you have until 5 April 2026 to use your allowance from 2022/23.

The available tax relief on contributions could make pensions a tax-efficient way to invest for the long term. You might want to consider contributing to your family's pension before the new tax year, too.

Even non-taxpayers, including children, could add up to £2,880 to a pension in 2025/26 while usually benefiting from 20% tax relief.

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A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future performance.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates, and tax legislation may change in subsequent Finance Acts.

7. Inheritance Tax annual exemption

2025/26 allowance: £3,000

Gifting assets during your lifetime may be useful if you're worried about your estate being liable for Inheritance Tax (IHT) when you pass away.

However, not all gifted assets will immediately fall outside of your estate for IHT purposes. If the entire value of your estate exceeds IHT thresholds, some gifts – known as "potentially exempt transfers" – could be included when calculating an IHT bill if they were given within seven years of your passing away.

The "annual exemption" is the amount you can give away each tax year without it being counted towards your estate's value for IHT purposes. In 2025/26, the annual exemption is £3,000. The allowance is individual, so if you're planning with your partner, you may choose to pass on £6,000.

You can carry forward any unused annual exemption for one tax year. So, you may be able to pass on up to £12,000 as a couple and have it immediately fall outside your estate in the 2025/26 tax year.

5 OTHER USEFUL WAYS YOU COULD REDUCE A POTENTIAL INHERITANCE TAX BILL

If IHT is a concern, there may be other steps you could take to reduce a potential bill.

That could include:

1. Gifting small amounts (up to £250 per person) to as many people as you like, as long as they have not benefited from your annual exemption
2. Placing assets in a trust to pass on to loved ones
3. Gifting on the occasion of a wedding
4. Making regular gifts from your income as part of your normal expenditure
5. Donating at least 10% of your estate to charity, reducing the IHT rate payable on your estate from 40% to 36%.

IHT rules and allowances can be complex. If you'd like to talk about your estate plan and how you may reduce IHT, please contact us.

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The Financial Conduct Authority does not regulate estate planning or Inheritance Tax planning.

Contact us to talk about how to use your allowances in 2025/26 and beyond

If you'd like to find out more about how allowances could fit into your financial plan and which ones you may want to use before the end of the current tax year, we could help.

It's not too soon to make a plan for the 2026/27 tax year, either, especially as there are changes coming into place that may be impactful for you.

Thinking about which allowances could make sense for you may help you manage your outgoings. For example, you might choose to make monthly deposits into your ISA rather than contribute a lump sum at the end of the tax year.

Please contact us to talk about your finances and how allowances may help you get more out of your money.

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Please note: This guide is for general information only and does not constitute financial advice, which should be based on your individual circumstances. The information is aimed at individuals only.

All information is based on our current understanding of legislation and correct at the time of writing (January 2026), and is subject to change in the future.

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