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Navigating the 2025-26 Tax Year: What It Means for Your Money

In light of the 2025 Autumn Budget, it seemed high time to revisit the tax landscape in 2025-26 and give you an update on your financial planning landscape.

The recent budget, in a sense, was nothing new - bringing familiar themes such as frozen thresholds, rising effective tax burdens and more focus on "fairness". However, some specific changes will affect clients' take-home pay, savings and investment decisions.

This article highlights the main issues you should be aware of as we move into 2026 and offers practical planning angles you can discuss with your financial adviser.

Income tax and frozen thresholds

One notable announcement in the Autumn Budget was the extension of the income tax band "freeze" to 2031 (three years after the original April 2028 deadline).

This changes little for 2025-26, since the tax bands were expected to remain static anyway. However, it could mean more of your income is dragged into tax (e.g. if your pay goes up).

In 2025-26, the standard tax-free Personal Allowance remains at £12,570. Also, the main income tax bands in England, Wales and Northern Ireland are unchanged in cash terms:

- 20% basic rate (income between £12,571 and £50,270)
- 40% higher rate (£50,271 to £125,140)
- 45% additional rate (for income above £125,140)

In Scotland, the multi-tier structure continues, with different rates and bands for starter, basic, intermediate, higher, advanced and top rates.

The freezing of income tax bands creates "fiscal drag" - also known as a "stealth tax" as average wages go up. For instance, due to forecasted UK wage growth in the coming years, as many as 920,000 people could be pulled into paying the 40% higher rate by 2031.

Navigating taxes

As financial advisers, part of our role is to help you navigate these kinds of stealth taxes prudently. The aim isn't to escape your responsibilities, but to ensure you don't overpay when you have so many other financial obligations (family, charitable giving, etc).

In particular, we can examine your current financial position, where your income sits in the bands and map out different model scenarios - e.g. how to mitigate a needless tax liability if you are close to a key financial "cliff edge", such as the effective 60% rate between £100,000 and £125,140 (due to Personal Allowance tapering).

Tax-efficient wrappers

The Autumn Budget brought more taxes on savings and dividend income. As such, using available tax shelters is even more valuable. Key actions to revisit with your adviser include:

- Making full use of ISA allowances, so that interest, dividends and gains within the ISA remain free of further UK tax.

- Ensuring general investment accounts are structured efficiently. For example, some clients might benefit from sheltering higher-yielding or dividend-heavy holdings in tax-advantaged wrappers (where possible).
- Reviewing whether clients should shift more into ISAs or pensions ahead of planned rate increases - especially if they are likely to exceed personal savings allowances or dividend allowances.

For wealthier or more sophisticated investors, updated limits and rules around schemes such as EIS and VCTs are scheduled to become more generous from April 2026. These may be worth exploring with an adviser.

Pension contributions and allowances

Pensions remain one of the most powerful tools for reducing current tax and building long-term financial security.

There was one blow from the Autumn Budget on this front, however. Chancellor Reeves announced that, from April 2029, salary-sacrificed pension contributions would be “capped” at £2,000 per year.

Above that, you (and your employer) will not enjoy National Insurance (NI) exemption on contributions. In effect, they will be treated as ordinary employee pension contributions by the UK tax system (e.g. 8% on earnings below £50,270).

This is expected to affect 20% of the UK workforce, although few workers seem to understand how salary sacrifice works - and the significance of this change.

Given that the system is not set to change until April 2029, now may be a good time to take full advantage of current salary sacrifice rules while they last.

Speak with your financial adviser to explore this in light of the complete, most up-to-date information (and taking into account your own personal goals and circumstances).

Your adviser can also add value by modelling the trade-off between net cost now and future retirement income, particularly for clients near key thresholds who can benefit most from higher-rate relief.

Capital gains and timing decisions

The 2025-26 year is still shaped by reductions to capital gains tax (CGT) allowances in previous tax years. As such, if you have significant unrealised gains in taxable portfolios, second properties or business interests, consider talking to an adviser about:

- Whether to use what remains of your annual CGT exempt amount (rather than allowing large gains to accumulate).
- Phased disposals, “bed-and-ISA” strategies and transfers between spouses or civil partners (to make better use of two sets of allowances and potentially lower rates).
- Balancing CGT planning against other priorities such as income needs, risk tolerance and diversification.

The continued pressure on allowances underlines the benefit of ongoing, incremental planning rather than one-off actions close to deadlines.

Property, landlords and high-value homes

Landlords continued to be targeted by the government in the 2025 Autumn Budget, which announced:

- New, higher tax rates on certain forms of property income from 2027, and
- A planned High Value Council Tax Surcharge from 2028 on properties in England worth £2 million or more.

Although these measures are not fully in force in 2025-26, they are relevant to current planning. Landlords may wish to reassess the viability of highly leveraged portfolios and explore strategies with an adviser, such as:

- Incorporation
- Restructuring
- Partial disposals

These should be considered while also accounting for CGT and mortgage conditions.

An adviser can help you scenario-plan for these changes so that adjustments can be made gradually rather than under time pressure.

We hope this overview of pension options in 2025-26 has helped to clarify your options for securing the future retirement lifestyle you want.

Please don't hesitate to contact a member of the team to find out more about financial wellbeing.

Please note:

The information in this article is for general guidance only and does not constitute personal financial, tax, or investment advice. Tax treatment depends on individual circumstances and is subject to change. Pension and investment values can go down as well as up, and you may not get back the full amount invested. Pension benefits are typically accessible from age 55 (rising to 57 from 2028). Past performance is not a reliable indicator of future results. You should seek independent financial advice before making any financial decisions.

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