



Article

# Your Essential 2025/2026 Allowance Checklist

After the excess of the festive season, January is the ideal time to organise your finances for the coming year. You still have time to make the most of your tax allowances before the end of the tax year. By planning now, you can save on tax and avoid the last-minute rush in April.

## Maximise Income Tax Allowances

Most individuals have a personal allowance of £12,570 for the tax year. This is the amount that you can earn without paying any tax.

Anyone earning over £100,000 will start to lose their personal allowance at a rate of £1 for every £2 over the threshold. This creates an effective 60% tax band on earnings between £100,000 and £125,140. You can bring your income under the threshold by making pension contributions or charitable donations.

If you are a basic rate taxpayer and your spouse earns under £12,570, they can transfer some of their unused personal allowance to you. This marriage allowance is limited to £1,260, resulting in a saving of £252 for each household that claims it.

If you earn interest from your savings, the first £1,000 is tax-free if you are a basic rate taxpayer. This is reduced to £500 for a higher-rate taxpayer. Additional rate taxpayers do not benefit from this allowance. If you earn under £17,570, you might also be eligible for the starting rate for savings, which allows you to receive up to £5,000 in tax-free interest. Spouses can divide their savings to ensure that they make the most of this tax-free income.

Gains from investment bonds can also be set against these savings allowances. By splitting a withdrawal between spouses, and over two tax years, you can maximise the allowances available to set against the gain.

## Use Your ISA Allowance

ISAs are extremely efficient, as you do not pay any tax on income, gains or withdrawals.

You can contribute up to £20,000 to your ISA each year. If you don't use your allowance in the current tax year, it can't be carried forward.

If you're not sure about your plans, you may wish to contribute to a cash ISA as it won't be impacted by market volatility. You can always withdraw the money if you need to, or you can transfer it into a stocks and shares ISA for longer-term growth.

## Utilise Your Capital Gains Tax (CGT) Exemption

You can realise capital gains of up to £3,000 in 2025/2026 without paying tax. If you have an investment portfolio, using your exemption each year can help prevent significant gains from rolling over and becoming taxable later. You can use your exemption by switching investments or transferring funds to your ISA.

If you need to realise a large gain, it can be a good idea to transfer some of the assets into your spouse's name. There are no CGT consequences for this, and it means that you will have two exemptions (£6,000) to set against the gain.

## Top Up Your Pension

Pensions are one of the most tax-efficient investments you can make, but the contribution rules can be complex. To summarise:

- Personal contributions benefit from tax relief. As a basic rate taxpayer, for every £80 you contribute, a further £20 will be credited by HMRC.

- Anyone can make gross contributions of up to £3,600 per year (£2,880 net).
- Personal contributions are capped at your annual relevant earnings, for example, salary or trading income.
- Both personal and employer contributions are further limited by the annual allowance, currently £60,000 per year. You can carry this allowance forward by up to three tax years.
- High earners, or those who have already taken benefits from their pensions, have a reduced annual allowance.
- Tax penalties apply for exceeding the annual allowance.

You can use pension contributions to reduce the amount of tax you pay. It's worth reviewing your pension contributions towards the end of the tax year to ensure that you are maximising your allowances without breaching any limits.

## Check Your National Insurance Record

You need to build up a 35-year National Insurance record to qualify for the full State Pension. This can be achieved through employment, self-employment, or receiving credits, for example, if you are unemployed or have caring responsibilities.

If you are not working but do not qualify for credits, you can top up your record by making [voluntary contributions](#).

## Use Your Gift Exemptions

You can gift up to £3,000 per year, which is immediately outside your estate for Inheritance Tax (IHT) purposes. You can carry this allowance forward by up to one tax year.

This means that a couple who had not made any previous gifts could give away up to £12,000 without IHT consequences.

If you do plan to make gifts, it's worth using this exemption every year.

## Draw Company Dividends

If you receive dividend income, the first £500 is tax-free. If your spouse owns shares in the company, they will also benefit from their own dividend allowance.

Company directors have greater control over their dividend income. It may be worthwhile to take some (or even most) of your income in the form of dividends, and to maximise use of the dividend allowance during this tax year. Not only will you benefit from the allowance, but dividends are also exempt from National Insurance contributions.

If you own a share portfolio, you might not be in control of how and when the dividends are paid. However, you can still transfer some of your shares to a spouse to benefit from both allowances.

## Claim Eligible Expenses

If you run a business, you will be able to reduce your tax bill by claiming expenses. This might include equipment, supplies, travel, training, and staff costs.

While you don't need to submit your tax return until the following January, it's worth ensuring you have all your records and receipts in order before the end of the tax year.

Remember, there is a time limit on most of your tax allowances, which means that if you don't use them, they will be wasted. Over your lifetime, you can save several thousand pounds by doing some simple tax planning.

Please do not hesitate to contact a member of the team if you would like to find out more about using your tax allowances.

**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. Investments can go down as well as up, and you may not get back the amount originally invested. Pension benefits also depend on current HMRC rules, which may change in future. The Financial Conduct Authority does not regulate tax planning, estate planning, or will writing. You should seek independent financial or professional advice before making any decisions based on the content of this article.

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