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How to Navigate the New 2026/27 Tax Year: Essential Financial Planning

With 6 April now gone, the 2026/27 tax year has arrived. That means new rules, new allowances and for many people, a fresh opportunity to review their finances.

But with so many changes to keep track of, it can feel overwhelming - especially if tax planning isn't exactly your idea of a fun evening.

The good news is that you don't need to understand every detail of HMRC's rulebook to make smart decisions. You just need to know what's changed, what it means for you and what steps to take.

Here's what you need to know as the 2026/27 tax year gets underway.

Your Tax Allowances in 2026/27

Most people are aware that they have a Personal Allowance - the amount they can earn before paying income tax. For 2026/27, the Personal Allowance remains at £12,570. It's been stuck there since 2021, and is likely to remain at that level until 2031.

With wages continuing to rise, more people are being pulled into higher tax bands without any increase in their actual purchasing power. This effect, sometimes called 'fiscal drag,' is affecting a growing number of households.

The key thresholds to be aware of are:

- Personal Allowance: £12,570 (earnings below this are tax-free)
- Basic rate (20%) applies to income between £12,571 and £50,270
- Higher rate (40%) applies to income between £50,271 and £125,140
- Additional rate (45%) applies to any income above £125,140

Personal Allowance tapers away for earnings above £100,000, at a rate of £1 for every £2 earned, meaning those earning between £100,000 and £125,140 face an effective marginal tax rate of 60%!

If your income is near any of these thresholds, planning your finances carefully could make a meaningful difference to how much tax you pay.

Make the Most of Your ISA Allowance

One of the most valuable tools available to UK savers is the ISA. In 2026/27, the annual ISA allowance remains at £20,000 per person.

You can split this across a Cash ISA, a Stocks and Shares ISA, an Innovative Finance ISA, or a Lifetime ISA – and you're free to spread your £20,000 allowance across multiple accounts if you wish.

Money held within an ISA is completely free from income tax, dividend tax and capital gains tax - both now and in the future. That makes it particularly powerful over the long term.

Any unused ISA allowance cannot be rolled over to the next tax year. If you only contribute £10,000 in 2026/27, then when 6 April 2027 arrives, you cannot carry over the £10,000 you didn't use to the 2027/28 tax year.

Couples can shelter up to £40,000 together in a single year by "combining" their ISA allowances. For those aged 18-39, another useful strategy is to use a Lifetime ISA (LISA). This lets you save up to £4,000 per year towards a first home or retirement, with a 25% government bonus on contributions.

If you haven't yet used this year's ISA allowance, now is a good time to act - especially if your savings are currently sitting in a standard account where interest is taxable.

Pension Contributions and Tax Relief

Pensions remain one of the most tax-efficient ways to save, and the 2026/27 tax year is no different. You can contribute up to 100% of your earnings each year or up to the Annual Allowance of £60,000 (whichever is lower).

For most people, the practical limit is whatever they can afford - but it's worth knowing the ceiling is there, particularly for higher earners looking to make larger contributions. Tax relief on pension contributions depends on your rate of Income Tax and how your pension scheme operates.

In broad terms, the level of tax relief available is:

- Basic-rate taxpayers typically receive 20% tax relief
- Higher-rate taxpayers may be entitled to up to 40% tax relief
- Additional-rate taxpayers may be entitled to up to 45% tax relief

For example, in a relief-at-source scheme, a £100 pension contribution would usually cost a basic-rate taxpayer £80, with the remaining £20 added by the government. Higher- or additional-rate taxpayers may be able to claim further relief from HMRC, depending on their circumstances. Scottish taxpayers may have different effective rates of relief.

If you are a higher- or additional-rate taxpayer and are not claiming your full entitlement through your self-assessment tax return, you could be missing out on refunds from previous years, so it's worth checking.

For those who have already drawn flexibly from a pension, the Money Purchase Annual Allowance (MPAA) limits further contributions to £10,000 per year. This catches people out more often than you'd expect.

Capital Gains Tax: Plan Ahead

Capital Gains Tax (CGT) applies when you sell assets - such as investments, a second property, or business assets - at a profit. Everyone receives a CGT Annual Exempt Amount, though this has been significantly reduced in recent years.

For 2026/27, the CGT exempt amount is just £3,000 (down from £12,300 in 2022/23). This means that more gains than ever before are now liable to tax, making it more important to plan disposals carefully.

If you hold investments outside of an ISA or pension, it may be worth considering:

- Spreading disposals across tax years to use multiple years' exempt amounts
- Making use of your spouse or civil partner's exempt amount and lower tax rate
- Holding assets within an ISA where gains are not taxable at all

CGT rates currently sit at 18% for basic rate taxpayers and 24% for higher and additional rate taxpayers on most assets. On residential property, the same rates apply. These changes mean gains you once would have escaped are now taxable, so planning matters.

Dividend Income and the Dividend Allowance

If you receive dividends from company shares, funds or through running your own business, then you have a tax-free Dividend Allowance each year.

For 2026/27, this remains at £500. Above this allowance, dividends are taxed at:

- 10.75% for basic rate taxpayers
- 35.75% for higher rate taxpayers
- 39.35% for additional rate taxpayers

For business owners who pay themselves partly through dividends, this is an area worth reviewing with a financial adviser, as the tax-efficient combination of salary and dividends has shifted over recent years.

Inheritance Tax: Still Worth Planning For

Inheritance Tax (IHT) is charged at 40% on estates above the nil-rate band of £325,000.

A residence nil-rate band of up to £175,000 may also apply where a family home is passed to direct descendants, bringing the effective threshold to £500,000 for eligible individuals - or up to £1 million for married couples and civil partners.

From April 2027, most pension funds will be brought within the scope of IHT for the first time, making early estate planning even more important for those with significant pension savings.

If IHT is a concern, there are a number of legitimate strategies available, including making use of annual gift exemptions, contributing to trusts or reviewing your pension nomination forms. This is an area where professional advice can save your family a considerable sum.

We're Here to Help

Navigating a new tax year is much easier with the right guidance. Whether you're looking to make the most of your allowances, reduce your tax bill, or simply check that your financial plan is still on track, we're here to help.

Please don't hesitate to get in touch with a member of the team to find out more.

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