

# important information for the 2026/27 tax year.

## get ahead for the new tax year.

Tax is an unavoidable part of investing, but smart planning can help you keep more of the returns you've worked hard to build. A series of changes announced in November's Budget will increase the tax burden on dividends, savings interest and capital gains for many investors from **April 2026** onwards. These changes mean it's more important than ever to make full use of tax-efficient allowances. From 6 April 2026, tax rates on dividends will rise by 2% for basic and higher-rate taxpayers, while the additional-rate stays unchanged. From **6 April 2027**, tax on savings interest will rise similarly across all bands. In recent years, the annual Capital Gains Tax (CGT) exemption has been reduced to £3,000, and CGT rates were increased from 30 October 2024, meaning more gains are now taxable at 18% (basic rate) or 24% (higher rate).

With these pressures building, using tax-efficient wrappers - like ISAs and pensions - has never been more valuable.

### Why your ISA matters more than ever

Investments held within an ISA are free from tax on dividends, interest, and capital gains — and you don't need to declare ISA returns on your self-assessment. It's a simple and effective way to protect more of your money from future tax increases.

The good news is that the annual ISA allowance for Stocks and Shares ISAs remains at **£20,000**. However, it cannot be carried forward, so any unused allowance will be lost after 5 April 2026.

### Remember!

You can make the most of your ISA through a new lump sum or alternatively, redirect existing taxable holdings. Our deadlines for applications are:

Redirecting existing investments: **Monday 9 March 2026**

New lump sum contributions: **Thursday 26 March 2026**

Contact us on **0800 049 2011**

## cash service.

Our cash service offers a smart alternative to traditional cash deposits by creating a portfolio of liquidity funds, which are a low-risk investment that aim to deliver a higher return than a standard savings account. Many people leave their savings sitting in low-interest accounts and don't have the time or inclination to shop around for better rates. Yet cash plays a vital role in your financial planning, and it's important that it works for you; not just for the bank or building society.

This service is designed to deliver competitive returns while maintaining accessibility and flexibility, giving you confidence that your cash is being managed efficiently.

You also have the option to hold this service within an ISA, allowing any interest earned to be completely tax-free. Your Adviser will be happy to discuss this with you in more detail at your next review meeting.

# making the most of your tax allowances (2026/27).

Below is a snapshot of the key tax rates and allowances for the coming tax year.

## Income Tax (England, Wales and Northern Ireland)

Band	Taxable income	Tax rate
Personal allowance*	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

\*Your Personal Allowance may be greater than £12,570 if you claim Marriage Allowance or you are eligible for the Blind Person's Allowance. Those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000 and is zero if your income is £125,140 or above.

The freeze on income tax thresholds has been extended for a further 3 years to April 2031. It's important to note that as wages rise over time, frozen thresholds mean more people are pulled into higher income tax brackets without any formal rate increase (known as fiscal drag). This would also impact how much capital gains tax, savings tax and dividend tax is charged for people who inadvertently move into higher income tax brackets.

It could also mean many people who only receive a State Pension could end up becoming taxpayers, as the amount received could end up being higher than the personal allowance. Since this can't be collected via PAYE (due to the pension being paid gross), these individuals could get a tax demand.

## Income Tax (Scotland)

Band	Taxable income	Tax rate
Personal allowance*	Up to £12,570	0%
Starter rate	£12,571 to £16,537	19%
Basic rate	£16,538 to £29,526	20%
Intermediate rate	£29,527 to £43,662	21%
Higher rate	£43,663 to £75,000	42%
Advanced rate	£75,001 to £125,140	45%
Top rate	Over £125,140	48%

\*As with the rest of the UK, those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000 and is zero if your income is £125,140 or above.

## Savings income

Band	Rate
Basic rate	20%
Higher rate	40%
Additional rate	45%

From 2027-28, the savings rates will increase by 2%

Personal Savings Allowance remains:

- £1,000 (basic rate)
- £500 (higher rate)
- £0 (additional rate)

## Capital Gains Tax (CGT)

Annual exempt amount	£3,000
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Band	Tax rate on Capital Gains
Basic rate	18%
Higher rate and additional rate	24%

## Pensions

Annual Allowance	£60,000
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Tax relief:

Basic rate investors	20% relief
Higher rate and additional rate	Relief available depending on income
Pension Lump Sum Allowance	£268,275

## Dividends

Band	Rate
Basic rate	10.75%
Higher rate	35.75%
Additional rate	39.35%
<b>Dividend Allowance</b>	<b>£500</b>

## ISAs

ISA	Tax free amount
Stocks and Shares/Cash* ISA	£20,000
Junior ISA	£9,000
Lifetime ISA**	£4,000 (excluding government bonus)
Child Trust Fund	£9,000

\*The Cash ISA limit will be reduced to £12,000 for those aged under 65 from April 2027.

\*\*The government will publish a consultation this year on the implementation of a new, simpler ISA product to support first time buyers to buy a home. Once available, this new product will be offered in place of the Lifetime ISA.

## Inheritance Tax (IHT)

Nil-Rate Band (NRB)	£325,000
Residence Nil-Rate Band (RNRB)	Up to £175,000

Both thresholds remain **frozen until 2031**, meaning more estates may become liable as asset values rise.



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## Important change from April 2027 – pensions will form part of someone’s estate

From **6 April 2027**, most **unused defined contribution pensions**, including personal pensions, SIPPs and drawdown funds, will be treated as part of your estate for Inheritance Tax purposes. This marks a major change from the current rules, where pensions typically sit outside the estate and can pass free of IHT.

### How this could affect you

Including pensions within the estate may push the total value of larger estates above the **£2 million RNRB taper threshold**. Once an estate exceeds £2 million, the RNRB is **reduced by £1 for every £2** above that level.

For clients with significant pension savings, property wealth or other investments, this means the change could:

- Reduce (or eliminate) the RNRB
- Increase the overall IHT bill
- Require a review of estate planning arrangements well ahead of April 2027

### Why this matters

Because pensions often represent a substantial portion of total wealth, and historically have been a core part of IHT planning, their inclusion in the estate from April 2027 may mean:

- Estates previously below £2m are pushed over the threshold
- Families lose some or all of the RNRB
- Beneficiaries potentially face materially higher IHT liabilities

### Planning point

If your combined estate (property, investments, pensions, and other assets) is approaching the £2m mark, you may wish to review your long term estate plan now. This may include considering:

- How and when pension benefits are accessed
- Rebalancing wealth held inside and outside pensions
- Reviewing your spending plans
- Making lifetime gifts
- Revisiting Wills and nomination forms



## time for a review?

It is important to review your financial situation and check whether your personal financial plans are on track for the future. This is especially important for anyone thinking of retiring in the next few years.

If you would like to start making plans, please contact us to discuss or ask any questions you may have.

Call us on **0800 049 2011**



Call us on **0800 049 2011** or email [affinity.advise@wealthatwork.co.uk](mailto:affinity.advise@wealthatwork.co.uk)

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