YOUR GUIDE:

BRIGHTER THINKING TAX PLANNER

2026/27

MENZIES

BRIGHTER THINKING

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INTRODUCTION

The UK tax landscape continues to evolve, with a number of significant changes introduced over recent years alongside further developments expected as the Government refines its long-term fiscal strategy. In particular, the move towards a more residence-based system of taxation, reforms to inheritance tax, and ongoing changes affecting pensions, capital gains tax and business taxation mean that careful planning is more important than ever.

In addition, the rollout of Making Tax Digital and increased HMRC focus on compliance and transparency are reshaping how individuals and businesses manage their tax affairs. While some measures have already taken effect, others remain subject to consultation or future implementation, and as always, the detail will be key.

We hope that this guide, which summarises current tax rates, recent changes and potential planning opportunities, will be a helpful resource.

Taking action at an early stage may allow you to make the most of available reliefs, allowances and exemptions, while also ensuring you are well positioned for any forthcoming changes. It is equally important to consider both short-term actions for the current tax year and longer-term planning for the future.

HOW TO USE THE TAX PLANNER

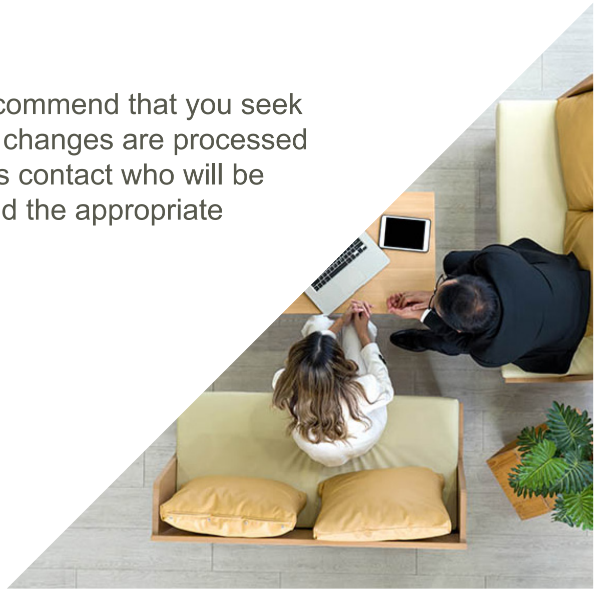
Take a few moments to review this planner, where we highlight a range of practical tax planning strategies designed to help you structure your affairs efficiently and manage your exposure to tax.

Unless otherwise specified, the tax rates used are for the 2026/27 tax year. Future changes may be announced and, where relevant, these are noted throughout.

Please note that certain aspects of the UK tax system continue to vary by region (for example, income tax rates in Scotland), and these differences are not reflected in this guide.

MENZIES PRIVATE CLIENT TEAM

Personal tax planning can be complex. We would always recommend that you seek professional advice when undertaking a review to ensure all changes are processed and managed effectively. Please do speak with your Menzies contact who will be delighted to meet with you to discuss ideas, opportunities and the appropriate action. Or, please do reach out to our email address below.



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INCOME TAX

INCOME TAX

The most common form of tax for individuals is income tax, and the rates applied can be punitive. However, there are still strategies available which can reduce the amount of income tax to which you would otherwise be liable.

INCOME TAX RATE BANDS

The amount of income tax you pay is determined by the level of your taxable income. Your taxable income is broadly your total income minus any allowances (see more details below). The current rate bands for income tax are as follows:

INCOME	RATE
First £37,700	20%
£37,701 - £125,140	40%
Over £125,140	45%

The top rate of tax threshold was cut from £150,000, to £125,140 with effect from April 2023. Therefore, taxpayers now start to pay the highest rate of income tax at lower levels of income than was previously the case.

YOUR BRIGHTER THINKING NEXT STEPS...

"Consider making use of lower rate tax bands, and review tax implications of transferring income producing assets, but taking note of anti-avoidance and settlements legislation. This is more important than ever with the highest rate of tax kicking in at a lower level of income."

David Truman
Private Client Partner

MARRIED COUPLES

Spouses are taxed independently (when any reference is made to spouses or married couples, this also includes civil partnerships).

Married couples should utilise each person's personal reliefs, as well as their starting and basic rate tax bands.

It may be beneficial to consider gifts of income producing assets (which must be outright and unconditional) to distribute income more evenly between spouses.

For example: a saving of up to £15,000 in income tax per tax year could be achieved by the transfer of assets (that produce £50,000 of income per year) from an additional rate (45%) taxpayer to their non-earning spouse.

Income from jointly owned assets is generally shared equally for tax purposes. This applies even where the asset is owned in unequal shares unless an election (that needs to be filed with HM Revenue and Customs), is made to split the income in proportion to the ownership of the asset. Without the election being filed, the income will automatically be split 50:50. Where appropriate, we can assist with the advice and an election.

PERSONAL ALLOWANCE

The first £12,570 of a taxpayer's income is generally tax free by virtue of the personal allowance. It is important for individual taxpayers to make use of the personal allowance each tax year because it cannot be carried forward. In the 2025 Autumn Budget, the Chancellor confirmed that the personal allowance will be frozen at this rate until April 2031 and indicated that it would not remain frozen beyond that date, but from that point would begin to rise with CPI.

Where you are a basic rate taxpayer and your spouse pays no tax, it should be possible to transfer an element of the personal allowance. To action this, it is necessary to complete a specific claim – something that Menzies can manage on your behalf.

For those with income in excess of £100,000, the personal allowance begins to be withdrawn at a rate of £1 for every £2 of income above £100,000. The impact is punitive with a 60% effective tax rate for income between £100,000 and £125,140. Additionally, those with incomes of over £125,140 will be subject to the additional rate of tax (45%).

In these instances, you may wish to consider if there are any income tax deductions which can be claimed to reduce your income. These could include donations under Gift Aid, transferring income to others or by making pension contributions.

YOUR BRIGHTER THINKING NEXT STEPS...

"Where a spouse does not use all of their personal allowance, consider electing to transfer an element to the other spouse to reduce the family's tax burden. Review any restrictions of allowances with a view to adjusting taxable income for the next tax year, and preservation of the personal allowance. This will become increasingly important with the freezing of allowances and reduction in the additional rate threshold.

Individuals with income around the £100,000 mark may also consider making pension contributions to regain their personal allowance or 'wrapping' any income producing assets within a more tax efficient investment structure such as an ISA or investment bond."

Helen Cuthbert
Private Client Partner

DIVIDEND ALLOWANCE

The first £500 of dividend income received in the tax year is free of income tax. Dividends received over and above the £500 tax free dividend allowance are subject to their own tax rate bands:

BASIC RATE	10.75%
HIGHER RATE	35.75%
ADDITIONAL RATE	39.35%

If you own shares in a family company, you may wish to consider who else in your family could have shares. It is possible to have different shares issued with different rights (e.g. dividend only shares or non-voting shares). Careful planning is required to ensure compliance with HMRC anti avoidance regulations.

YOUR BRIGHTER THINKING NEXT STEPS...

"Review your profit extraction strategy following the change in dividend tax rates and make any refinements to optimise the tax position."

Andrew England
Business Tax Partner

PERSONAL SAVINGS ALLOWANCE

For basic rate taxpayers, there is a savings allowance of £1,000, meaning the first £1,000 of savings income is taxed at 0%.

For higher rate taxpayers, the savings allowance is £500, and for additional rate taxpayers (i.e. those with taxable income over £125,140) it is withdrawn altogether.

The savings allowance is not transferable between spouses, so it is important to ensure that bank accounts are held in such a way to maximise the allowance.

YOUR BRIGHTER THINKING NEXT STEPS...

"Don't forget to make use of your spouse's Personal Savings Allowance. You could do this by electing to transfer savings held in your own name to your spouse. Even though this has been reduced, it will still cover many family circumstances."

David Truman
Private Client Partner

THE STARTING RATE FOR SAVINGS

Where a taxpayer has relatively modest non-savings income (e.g. employment, pension or income from property), they may be entitled to the £5,000 starting rate for savings allowance making this income tax free.

The starting rate for savings income applies before the savings allowance. By careful planning - and where you have your own company - you could, in certain circumstances, extract £19,070 tax free, which can be broken down as follows:

PERSONAL ALLOWANCE	£12,570
STARTING RATE FOR SAVINGS	£5,000
PERSONAL SAVINGS ALLOWANCE	£1,000
DIVIDEND ALLOWANCE	£500

When considering profit extraction, timing is critical as it can have significant consequences on what tax is payable and when. We would strongly recommend seeking professional advice as there could be merit in deferring income to a later year.

YOUR BRIGHTER THINKING NEXT STEPS...

"Utilise the 0% Starting Rate for Savings on the first £5,000 of income where appropriate. For those who have a family company, carefully consider the profit extraction techniques, with a view to tax efficiency."

Craig Hughes
Private Client Partner

ALLOWANCES - CHILDREN

Children have their own allowances and tax bands. It may be possible for tax savings to be achieved by the transfer of income producing assets to a child.

Generally, this is ineffective if the parent puts aside funds for their minor child (as the income remains taxable on the parent unless the income arising amounts to no more than £100 gross per annum). However, it may be relevant to parents with adult children or for grandparents who wish to make gifts to their grandchildren (even if minors). Bare Trusts could be established to provide for grandchildren's childcare and schooling costs, making use of the grandchildren's own income tax and capital gains tax allowances.

YOUR BRIGHTER THINKING NEXT STEPS...

"In any family structure, consider how to make use of children's allowances, both for income tax and capital gains tax purposes."

Helen Cuthbert
Private Client Partner

CHILD BENEFIT TAX CHARGE

The High-Income Child Benefit Charge threshold is £60,000. This means that for those with income over £60,000, or who are part of a couple where one of you earns over £60,000, then part or all of the Child Benefit claimed will be clawed back. A full clawback of the Benefit occurs where income exceeds £80,000.

If your income is over £80,000 you may therefore consider disclaiming Child Benefit to avoid a claw back tax charge. However, if the claimant of child benefit is not themselves working, then disclaiming it will mean the year does not qualify for State Pension purposes. In this scenario you should just ask for payment to be suspended rather than disclaiming it altogether.

You should consider if someone in your household receives Child Benefit, and you earn more than £60,000 per annum. If so, you may need to repay an element of the Child Benefit to HMRC. Should you earn over £80,000, consider the merits of pausing Child Benefit payments.

PAYE NOTICES OF CODING

Where you are employed, or have a pension, it is worth checking your PAYE Notice of Coding to ensure your allowances are correctly stated. This includes relief for pension contributions, charitable donations and any other tax reliefs.

HMRC's coding system has, in our experience, led to many incorrect coding notices. If the coding is wrong, many taxpayers could end up with an unwanted, and unexpected, tax bill after the end of the tax year. If you're in any doubt, then Menzies can review your PAYE Notice of Coding to ensure it is reasonable and in line with your income.

YOUR BRIGHTER THINKING NEXT STEPS...

"Where you are issued with a new PAYE Notice of Coding ensure you check it to ensure it includes the correct allowances and restrictions. Notify HMRC of any changes required."

David Truman
Private Client Partner

PROPERTY

In recent years, the Chancellor of the Exchequer has targeted individuals with second properties and specifically buy-to-let landlords. This has included the introduction of increased Stamp Duty Land Tax (SDLT), the restriction on expenses which can be set against rental profits and an increase in Capital Gains Tax rates.

For those who have significant rental property businesses which are not currently structured as a company, there may be merit in considering incorporation. We can quantify the advantages and disadvantages and implement the appropriate structure.

There are a number of tax breaks still available. For example, if you rent a room in your main residence, the first £7,500 in rental income is tax free. This is called the "rent a room" allowance, and where you own a property jointly, the allowance is split.

The Furnished Holiday Letting (FHL) regime was abolished on 6 April 2025. The FHL regime as we knew it allowed for some generous tax breaks, including obtaining full tax relief for interest on loans attached to the property, and a capital gains tax rate of 10% on eventual sale, which no longer applies. This means that the deduction of interest will be restricted as per the treatment of residential properties and the disposal of the property will be subject to the higher CGT rates that apply to the sale of residential properties (maximum rate of 24%). If you are affected by this, please reach out to your contact at Menzies who will be able to advise what this may mean for you.

Those looking to sell UK residential property should take advice on the reporting requirements "in year" as CGT Property Returns must be filed within 60 days of completion. For UK residents there is an exclusion where the disposal does not give rise to a capital gain, but all non-UK resident owners making a residential property disposal will need to file a return.

STAMP DUTY LAND TAX

Stamp Duty Land Tax is payable on property purchases over £125,000. For first time buyers relief from SDLT exists for properties with a maximum purchase price of £500,000. In this instance stamp duty starts at £300,000.

A 2% SDLT surcharge exists for non-resident buyers of UK residential property. There is also a 5% surcharge on the purchase of second or additional properties (although there are some exceptions).

Multiple Dwellings Relief (MDR) was abolished as of 1 June 2024. This came as a move to simplify the Stamp Duty legislation. MDR was a relief that allowed for a buyer to make significant savings when purchasing more than one dwelling by calculating the SDLT based on the average of all the properties purchased rather than their collective value.

YOUR BRIGHTER THINKING NEXT STEPS...

"Where you have loans attached to rental properties, check whether restructuring is appropriate to maximise tax reliefs. Establish a tax reserve or buffer to account for the additional income tax for buy-to-let property as a result of the rule changes. If you have a buy-to-let property, or properties, consider through which vehicle you should hold them. For example, in your own name, as a couple, a partnership or a company."

David Truman
Private Client Partner

GIFTS TO CHARITY

Charitable donations made under the Gift Aid scheme can result in significant benefits for both the donor and the charity. It is important to keep a record of any charitable payments on which you wish to claim tax relief, as HMRC may request evidence.

A cash gift of £80 will generate a tax refund of £20 for the charity so that it ends up with £100. The donor will get higher rate tax relief of £20 so that the net cost of the gift is only £60. Where the 45% additional rate of tax applies, the net cost of the gift in this example would be only £55.

Care needs to be taken in claiming gift aid if you are a low earner as this can create an unexpected tax charge if you gift funds but have not paid sufficient tax to cover the reclaim by the Charity.

In addition, tax relief against 2026/27 income is possible for charitable donations made between 6 April 2027 and 31 January 2028. This is provided that the payment is made before filing the 2026/27 tax return.

For larger charitable donations, it may also be possible to make gifts of quoted shares and securities or land and buildings to charities and claim income tax relief on the value of the gift. It is worth noting that, although previously available, there is no UK tax relief on gifts to EU or EEA charities.

YOUR BRIGHTER THINKING NEXT STEPS...

"Keep a record of any gift aid payments to ensure you claim the tax relief to which you are entitled. If any Gift Aid payments are to be made on or after 6 April 2027, but before filing your 2026/27 tax return with HMRC, consider whether to treat the payment as made in 2026/27 to accelerate any further tax relief."

David Truman
Private Client Partner

NATIONAL INSURANCE

For 2026/27, the main rate of Class 1 National Insurance contributions (NIC) deducted from employees' wages is 8%. For earnings above £50,270 this reduces to 2%. Employer's national insurance is payable at a rate of 15% for earnings in excess of £5,000 per annum.

For 2026/27, Class 4 NIC is payable at a rate of 6% between £12,570 and £50,270 and at 2% above that level.

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CAPITAL GAINS TAX

CAPITAL GAINS TAX (CGT)

The decision to sell capital assets should primarily be driven by investment considerations rather than tax and we therefore recommend speaking to an investment professional.

Provided it makes investment sense, you may wish to consider the following points before the tax year end:

- The first £3,000 of gains are generally CGT-free.
- Each spouse has their own annual exemption, as do children. As the annual exemption cannot be carried forward, it will be lost if not used.
- Similar to the above, transferring assets to a lower earning spouse may create an opportunity to utilise their basic rate band so that CGT applies at 18% rather than all at 24%.
- CGT rates for most assets are now aligned with residential property rates.
- A Bed & ISA will allow you to utilise the current year's ISA Allowance by moving investments from an unwrapped environment to the ISA Tax Wrapper. This is achieved by disposing of the unwrapped investment and repurchasing it via an ISA. The disposal of the unwrapped investments may be liable to CGT but once inside the ISA, the investments are sheltered from CGT in the future.
- You could also "straddle" a disposal across tax year end to make use of two annual exemptions.
- Sale by one spouse and repurchase by the other (Bed & Spouse). This technique may also be used to establish a loss that can be set against any gains.

YOUR BRIGHTER THINKING NEXT STEPS...

"Try and use your annual capital gains tax exemption. Use it or lose it.

Consider "Bed and Spouse" or else "Bed and ISA". Consider delaying any further disposal into the next tax year, to use the future annual exemption, utilisation of lower rate tax bands, or simply delaying payment by a year. Claim any capital losses, even if an asset has not necessarily been sold (i.e. it has become of negligible value). Consider whether the loss can be carried back. Ensure any losses that are carried forward are correctly recorded."

Craig Hughes
Private Client Partner

TAXATION OF GAINS ON PROPERTY - MAIN RESIDENCE

One of the most generous capital gains tax reliefs remains that for the main residence. In broad terms, when you buy a house and live in it as your main home and then sell it, any gain is generally exempt from CGT.

When selling a property that has been your main residence at some point, the final nine months of ownership are deemed to be CGT exempt whether you were living there or not. If you have more than one home, you should consider the timing of a sale or making a main residence election. As there are time restrictions on making the main residence election, we strongly recommend you speak to us should you think this could be an issue or if your circumstances change.

UK RESIDENTIAL PROPERTY

The top rate of CGT on the disposal of residential property is 24%. The lower CGT tax rate for residential property is 18%. In the 2025 Autumn Budget the rates of CGT for assets (excluding residential property) were aligned with the rates for residential property.

Where CGT is due on the disposal of UK residential property by a UK resident individual or trustees, an online return will need to be filed, together with payment on account of the CGT due. This needs to be done within 60 days (previously 30 days) of the date of completion of the transaction.

TAXATION OF GAINS MADE BY NON-RESIDENTS - RESIDENTIAL

From 6 April 2015, the CGT legislation changed so that non-residents are liable to tax on disposals of UK residential property. As part of the regime, non-residents will have the option to rebase their properties to the 6 April 2015 value so that only the growth in value after this date is taxable.

Under these regulations, the criteria for when a main residence election can be made will be possible ONLY if one of the following conditions is met:

- The individual is a tax resident in the same country as the property they wish to make the main residence election; or
- The individual spends at least 90 nights in the property (or if he or she owns more than one property in that country, 90 nights between all the properties).

This rule was originally introduced to prevent non-residents from simply electing their UK properties as their main residence. However, it also has wider implications for UK residents. A UK-resident individual who owns a property overseas can only elect that property as their main residence if they spend at least 90 midnights there.

If you are already a non-UK resident or are considering moving abroad, you should consider your CGT position in advance of either selling or relocating overseas. HMRC must be notified within 60 days of the sale or disposal of a UK property and a CGT return completed.

YOUR BRIGHTER THINKING NEXT STEPS...

"It may be time to consider a main residence election if you have more than one property. If however you have a UK property but are not a UK resident it may be time to consider whether you can claim for this to be treated as your main residence for tax purposes. All election forms are required to be filed with HMRC"

Amanda Revell
Trusts & Estates Senior Manager

TAXATION OF GAINS MADE BY NON-RESIDENTS - ALL TYPES OF PROPERTY

Gains made by non-residents on the disposal of all types of UK immovable property are taxable in the UK. This includes:

1. All non-resident persons' gains on disposals of interests in UK land will be chargeable and;
2. Indirect disposals of UK land will be chargeable. This refers to the disposal of businesses that derive at least 75% of their asset value from UK land.

As part of these changes, non-residents are able to rebase residential properties not previously within the rules, to the 6 April 2015 value so that only the growth in value after this date is taxable. Non-residents are also able to rebase non-residential land or property or shares in property-rich companies to the 6 April 2019 value. HMRC must be notified within 60 days of the sale or disposal of a UK property and a CGT return completed.

BUSINESS ASSET DISPOSAL RELIEF

Where an individual disposes of an asset that qualifies for Business Asset Disposal Relief (BADR) - formerly Entrepreneurs' Relief - the capital gain arising will be taxable at a lower rate. In Autumn Budget 2024, the Chancellor announced that the rate for BADR would increase from 10% to 14% for disposals made on or after 6 April 2025 and from 14% to 18% for disposals made on or after 6 April 2026.

The lifetime limit remains at £1m with the excess over this taxed at normal CGT rates

There are a number of important conditions, but generally BADR applies to:

- The sale of all, or part of a trading business
- The sale of shares in a qualifying company where you hold more than 5% of the nominal share capital and voting rights. From 29 October 2018 this was extended to also require you to be entitled to 5% of the distributable profits and assets, or alternatively, to receive 5% of the proceeds if the company's ordinary shares were to be sold
- You are an officer/employee of the company

Planning may be necessary in order to adjust shareholdings so that the 5% requirement is held or so that other family members may also qualify for BADR. There is a two-year ownership and trading requirement in all cases so early planning, ahead of an exit, is important.

If you do hold shares in a company, or have any property which you think may be affected, a regular review to ensure that BADR will be available on ultimate disposal is recommended.

YOUR BRIGHTER THINKING NEXT STEPS...

"If you have any gains which you think qualify for BADR, ensure you review the rules and conditions for the relief so that you are in a position to take advantage of them particularly if there may be any share options in existence."

Andrew England
Business Tax Partner

INVESTORS' RELIEF

Investors' Relief (IR) provides a further separate lifetime limit of £10m, which is reduced to £1m for disposals made on or after 30 October 2024. The relief has historically provided a reduced tax rate of 10% on qualifying investments. Following the announcements in Autumn Budget 2024, the rate of tax where Investors' Relief is claimed has increased in line with Business Asset Disposal Relief, from 10% to 14% for disposals made on or after 6 April 2025 and from 14% to 18% for disposals made on or after 6 April 2026.

There are a number of important conditions with regards to the relief:

- It can apply to disposals of shares in unquoted trading companies or the holding company of a trading group
- The shares must be ordinary shares, subscribed for and fully paid in cash
- The shares must be issued on or after 17 March 2016 and disposed of on or after 6 April 2019
- There are restrictions on investors being employees or directors of the company
- The shares must have been issued and subscribed for at arm's length

Unlike BADR, there is no minimum qualifying percentage.

TAX EFFICIENT INVESTMENTS

It is possible to obtain additional tax reliefs by acquiring tax efficient investments. For some high-income individuals who are restricted in their ability to make pension contributions, they may find that such investments are the only realistic options to reduce income tax.

However, such investments carry risk to capital and may not, therefore, be suitable, even if they are tax efficient. Particular care should be taken when investing in EIS, Seed EIS or VCTs. We recommend discussing with one of our Menzies Wealth Management Independent Financial Advisers if you are considering investing in these types of investments.

INDIVIDUAL SAVINGS ACCOUNT (ISAs)

Based on the current rates, a maximum of £20,000 can be saved in an ISA. The ISA wrapper ensures that any growth is both free of income tax and capital gains tax.

This is a useful technique for converting taxable interest and dividends into non-taxable income. To further increase the flexibility of an ISA, it is possible to withdraw funds from your ISA and replace them, later, without the replacement funds counting towards your ISA investment limit for the year.

The ISA deadline is 5 April and, as unused reliefs are not transferable to future tax years, we recommend you take advantage of the full ISA allowance where possible. A number of clients now have significant tax-free funds which they can draw upon as a result of these ISA allowances.

Whilst there are currently no changes to the £20,000 saving limit with cash ISAs, from 6 April 2027, the cash ISA limit reduces to £12,000 for under-65s (the £20,000 cash ISA limit remains the same for over-65s). This measure is designed to incentivise investment into stocks and shares ISAs; the limit remains £20,000 regardless of age (£20,000 in total if using both types of ISAs).

The government confirmed that the annual subscription limits for an ISA, including Lifetime ISAs, Junior ISAs and Child Trust Funds, will remain frozen at their respective amounts until April 2031.

There are many types of ISAs, each with the same, and sometimes more, tax benefits, including:

LIFETIME ISAs

Introduced on 6 April 2017 to encourage young people to save. Where an individual between 18 and 40 saves up to £4,000 each year, the Government will contribute a bonus of 25%. Funds may be withdrawn for use to purchase a first home or for retirement.

The government will be consulting on the introduction of a new first-time buyer only product which will provide a bonus when used to buy a house.

JUNIOR INDIVIDUAL SAVINGS ACCOUNT (JUNIOR ISA)

Introduced to replace Child Trust Funds (CTF), can be used to fund higher education by allowing parents, other family members or friends to invest up to £9,000 annually in a tax-free fund for a child. There are no Government contributions and no access to the funds until the child reaches 18.

Changes were made for 2020/21 onwards to permit savings in maturing Child Trust Funds (CTFs) to retain their tax advantaged status and to be transferred into an ISA without impacting the annual ISA limit.

ENTERPRISE INVESTMENT SCHEME (EIS)

EIS allows income tax relief at 30% on new equity investment (in qualifying unquoted trading companies). A maximum investment of up to £1 million in any one tax year can be made and this can be increased to £2 million provided at least £1 million is invested in Knowledge Intensive Companies. As such, it could potentially reduce your income tax liability by up to £600,000.

It is also possible to carry back relief to the previous tax year, i.e. 2025/26, if the £1 million limit was not utilised in the previous year. Where the £1 million investment has not been reached in the current or previous tax year, investors can choose the tax year to claim the relief to maximise the tax relief due (this will depend on their income position in the current and previous tax year).

There are additional tax benefits for qualifying EIS shares including:

- If held for at least three years, EIS gains are exempt from capital gains tax.
- EIS losses could be set against your taxable income (rather than capital gains).
- Other capital gains can be deferred to the extent that you invest in EIS shares. Gains realised up to three years before, or one year after, the EIS investment can be deferred, meaning the capital gain and the associated capital gains tax are postponed until the EIS shares are disposed of or the relief is withdrawn.
- Where you hold the shares for two years, they are effectively free from inheritance tax.

Given the tax benefits on offer to investors, we have assisted many companies looking to attract investment in completing and obtaining HMRC approval for an EIS application.

SEED EIS (SEIS)

The SEIS is essentially the little brother to EIS and is aimed at smaller companies. The additional risks associated with such investments are reflected in the more generous tax breaks.

The maximum which can be invested under the SEIS in one year is £200,000. However, it is possible to carry back the income tax relief to the previous tax year.

Tax breaks include:

- Income tax – 50% tax reducer
- Capital gains tax – free from CGT if held for three years
- Losses – In the event of a capital loss, this can be set against your general income
- Reinvesting gains from other non-SEIS investments into an SEIS investment can result in 50% capital gains tax relief on the original gain
- Inheritance tax – The shares are not liable to inheritance tax on death if owned for more than two years

VENTURE CAPITAL TRUST (VCT)

A VCT is a collective investment fund which invests in unquoted trading company shares. VCT dividends and capital gains can be tax free.

Income tax relief (20% from April 2026) is available on subscriptions into VCT shares up to £200,000 per tax year so long as the shares are held for at least five years.

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SELF-EMPLOYED & UNINCORPORATED BUSINESS

CHANGE OF TAX RULES FOR SELF-EMPLOYED INDIVIDUALS AND UNINCORPORATED BUSINESSES

TRANSITIONAL PROFITS FROM BASIS PERIOD REFORM

In the 2023/24 tax year self-employed individuals and businesses changed from being taxed based on the accounting period to the tax year basis.

As part of the basis period reform those with transitional profits arising from the extended period had the option to spread these additional profits over the next 5 years.

Taxpayers would bring 20% of the transitional profits into charge each year with the option to accelerate these profits if they chose to.

This will be the 4th year of bringing the transitional profits into charge with the following tax year being the last year that the transitional profits will be taxed.

Consider accelerating profits if income is to be lower in 2026/27 than 2027/28 to ensure you utilise personal allowance and basic rate bands lowering the overall tax on the transitional profits. The timing of pension contributions should also be considered to optimise the tax position.

CHANGES TO CAPITAL ALLOWANCES

From 6 April 2026 the writing down allowance on main rate pool items reduces from 18% to 14%. This reduction will have the effect of increasing the time it takes to fully relieve capital expenditure that falls within the main rate pool. The main pool will cover the following items that have not already benefitted from the £1m 100% annual investment allowance (AIA):

- Tools and equipment
- Computers and IT
- Vans (not cars)
- Machinery
- Office furniture and fittings

To mitigate this reduction the government have introduced a 40% first year allowance (FYA) for main pool items.

This allowance is available from 1 January 2026. The allowance works by providing relief for 40% of the qualifying purchases immediately. The 60% balance will then be put in the main rate pool to obtain writing down allowances at 14%.

YOUR BRIGHTER THINKING NEXT STEPS...

"Businesses should review the timing of capital expenditure between different tax years to optimise the use of the Annual Investment Allowance in each period given the immediate 100% relief ensuring that the 40% First Year Allowances are only relied on where the spending exceeds the £1m cap."

Andrew England
Business Tax Partner

MAKING TAX DIGITAL (MTD)

From 6 April 2026 self-employed individuals (this doesn't include members of partnerships) will be within the MTD regime if their turnover exceeds £50,000 in the 2024/25 tax year.

The changes may be seen as additional administrative responsibilities for those who struggle with spare time but there can be some positives that come from these changes.

They will improve the visibility of business performance and cashflow compared to a single annual review of the income and expenditure when preparing their self-assessment tax returns.

The quarterly reports can allow you to project your end of year tax liability and allow for opportunity for tax and cashflow planning based on live information.

For full details on MTD please see page 25.

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INHERITANCE TAX

INHERITANCE TAX (IHT)

Where your estate is worth more than £325,000 at death, there may be IHT to pay by your executors. IHT is a complex area and regular advice in this area is strongly recommended as a person's IHT exposure is likely to change from year to year.

As a general guide, it is key to make sure that you have a tax efficient Will in place and that you consider taking appropriate life assurance cover to help protect your family financially.

There were major IHT changes announced on 30 October 2024, specifically relating to Domicile, Business Relief and Agricultural Property Relief, and to Pensions. The government also confirmed, on 26 November 2025 that the nil rate band will remain at the current level of £325,000 until at least April 2031.

DOMICILE

Following the October 2024 Budget it was confirmed that the scope of UK IHT would significantly change, moving from a domicile-based regime to a residence-based regime. As a result, from 6 April 2025, your domicile status is no longer relevant to your IHT position.

From 6 April 2025, the test for whether non-UK assets owned by individuals are within the scope of UK IHT will be whether the individual is a 'long-term resident', and where the assets are situated. The changes will not affect the taxation of UK situs assets (including indirectly owned UK residential property), which will remain within the scope of IHT, regardless of the individual's residence status.

Residence will be determined using the Statutory Residence Test (SRT). In summary, an individual will become liable to IHT on non-UK assets when they have been UK resident for at least 10 out of the last 20 tax years. The government have provided detailed guidance on "Long-Term Residents" and have also provided detail on the IHT "tail" which is the amount of time an individual will remain within the scope of UK IHT once they become non-UK resident.

For a more detailed discussion, we would recommend that you speak to your Menzies contact or email us at advice@menzies.co.uk.

BUSINESS RELIEF (BR)

This is a valuable IHT relief (historically called Business Property Relief) which may apply to exempt or partially exempt business property on death. BR is an important part of succession planning but, due to the complexity of the BR rules, the relief may not be due even though you expect to meet the conditions.

It is important to regularly review your BR position to ensure that it continues to apply and that your business activities do not jeopardise your BR position.

Effective from 6 April 2026, significant reforms to agricultural property relief (APR) and business relief (BR) will limit 100% relief to the first £2.5 million of qualifying assets, with a 50% relief rate for assets above this threshold. These changes will apply to transfers on death and within seven years before death. The government recently confirmed that an individual's £2.5 million allowance will be transferable to their spouse on death.

BR on shares quoted on recognised stock exchanges but treated as unquoted (e.g., AIM) will be reduced to 50%. It has been confirmed that AIM shares will not use up the £2.5 million BR/APR allowance.

Anti-forestalling provisions will enforce the new rules for lifetime transfers made on or after 30 October 2024 if the donor dies on or after 6 April 2026, limiting pre-implementation planning. If the donor dies before 5 April 2026 their estate will be subject to the existing rules.

We recommend a detailed review of agricultural and business assets should this be relevant.

PENSIONS

Individuals can currently pass on their pension pot from generation to generation in a tax efficient manner.

The current position is as follows:

If death occurs before the age of 75, the pension fund can be passed on tax-free to a beneficiary. If death occurs after 75, the fund can be drawn by a beneficiary at their own marginal rate of income tax. A beneficiary will have the option to receive the death benefits either as a lump sum, drawdown or an annuity. The definition of a beneficiary is much wider than that of a dependent, allowing considerable freedom in choosing who you want to benefit from your pension fund.

If death benefits are paid as a lump sum, those benefits would form part of a beneficiary's estate. Therefore, an efficient way to pass on death benefits is to consider 'dependants' drawdown'. This would allow the beneficiary to continue to enjoy the tax advantages associated with investing in a pension, whilst allowing them to draw income as and when required. The fund could then be used as a further legacy for them to pass on to their own beneficiaries.

From 6 April 2027, unused pension funds and death benefits payable from a pension will be included in the estate of the pension holder for IHT purposes. The personal representatives will be responsible for reporting and paying any IHT due. They will work alongside the pension administrators to arrange payment of the tax due.

This change means that beneficiaries of these pension funds could face a higher tax burden. Previously, pensions were exempt from IHT, allowing beneficiaries to receive the full amount without additional tax. However, with the new rules, the value of the unused pension funds will be added to the estate, potentially increasing the overall IHT liability. This could significantly reduce the amount beneficiaries receive, as the estate may be subject to the 40% IHT rate, with beneficiaries subject to a further income tax charge of up to 45%.

It is important that death benefit nomination forms are reviewed in light of the upcoming changes. Pensions should be considered in the context of IHT and alongside any Will planning.

UTILISE YOUR IHT ANNUAL EXEMPTION

Gifts of up to £3,000 per year can be made on an IHT free basis. The limit increases to £6,000 if the previous year's annual exemption was not used. A married couple can therefore make IHT exempt gifts totalling £12,000 in one tax year, where no gifts were made in the prior tax year. This simple technique could save a possible IHT bill of £4,800 in the event of your untimely death.

You should also consider using other annual gifts such as gifts in consideration of marriage or £250 small gifts.

NORMAL EXPENDITURE OUT OF INCOME

There is an exemption for making regular gifts out of income of any size where certain conditions are met. This exemption means that sizable gifts can potentially be made but in a way that the gifted amounts instantly fall outside of your taxable estate upon death (rather than waiting for a seven-year period).

Take care where living costs increase and result in a reduction of excess income available for gifting.

YOUR BRIGHTER THINKING NEXT STEPS...

"Consider your Inheritance Tax position and possible exposure in the event of your untimely death.

Do you have a note of your worldwide assets, including access codes for investments held online?

It is useful to create a single document containing details of all your assets which is available to your Executors in the event of your death.

Make use of the IHT exemptions each year, where possible, to reduce your exposure. Consider how you can use any pension pot for IHT planning.

Do not dilute your estate to the extent you make insufficient provision for your own position and possible support you need to make in the future."

David Truman
Private Client Partner

ADDITIONAL RESIDENCE NIL RATE BAND

If an individual passes on their home to a direct descendant on the individual's death, an additional Residence Nil Rate Band (RNRB) is available for an estate.

Any unused RNRB can be transferred to a surviving spouse or civil partner. Until the 2030/31 tax year the RNRB that may be available is £175,000.

This additional allowance when reviewed in conjunction with a review of your Will could be beneficial to many individuals and should be taken into consideration with regards to any future tax and estate planning.

YOUR BRIGHTER THINKING NEXT STEPS...

"In the event you do not already have a Will, we would recommend you arrange to have one put in place. If you have not reviewed your Will for two years, we recommend you revisit."

Helen Cuthbert
Private Client Partner

TRUSTS & FAMILY INVESTMENT COMPANIES (FICs)

Several options are available to protect against an outright gift of wealth for those seeking to pass assets to the next generation while considering IHT efficiencies. The key routes are either to create a family trust or to establish a family company. The transfer of assets into a family trust is a tried and tested mechanism for ensuring the benefit of the family wealth is gifted to the younger family members, without giving unfettered access to the underlying assets. Control is centred with the Trustees who protect and administer the assets (and in certain instances, the income from those assets) for the benefit of the ultimate beneficiaries, being the children and grandchildren.

An alternative is to consider a family company which may provide a more tax efficient landscape with similar flexibility. In addition, one advantage is that the corporate structure is a framework which is familiar to many. The aim being to provide the children with the shares that hold the growth value, while retaining control mechanisms for the older generation by way of directorships, voting rights and preferential share classes. The structure is best utilised where funds are retained within the corporate, minimising the double taxation charge where profits are extracted annually. The attractive tax rate for corporates, the possible availability of a dividend exemption and the ability to deduct reliefs such as full mortgage interest for rental property, assist in the tax efficient environment.

HMRC have confirmed in recent years that there is no correlation between those setting up a Family Investment Company and non-compliant behaviour and their dedicated unit set up to investigate the tax risks associated with FICs has been disbanded. Although future changes in tax legislation cannot be discounted, FICs firmly remain a key planning tool for families wishing to protect their assets across the generations. Given the possibility of a rise in capital gains tax rates due to the current climate, it may now be the moment to transfer assets into a corporate and capture gains at current rates of up to 20%, while considering the IHT implications for the family.

IHT AND WILLS

The cornerstone of any effective IHT planning is your Will. It is important that your current Will is up to date and in line with your future wishes.

A review of your Will can help to ensure that all details are correct and there are no misstatements which may lead to parts of your estate not being administered as you intended. Failure to do so can also have an adverse effect on your inheritance tax position and the amounts chargeable to inheritance tax.

If you do not have a Will in place, we would advise taking the time to create one and therefore minimising the risk that the State will determine how the assets are distributed on death under the intestacy rules (a form of heirship).

Menzies are able to assist you with tax advice on the preparation and review of your Will as well as answering any questions you may have in this important and complex area.

YOUR BRIGHTER THINKING NEXT STEPS...

"Ensure your Will does not prevent you making use of the Additional Residence Nil Rate Band."

Craig Hughes
Private Client Partner

PLANNING FOR THE FUTURE

It is never too early to get started on planning ahead for the future. Having a plan in place will not only ensure your affairs are structured in the most tax efficient manner but also allow you to optimise and consider your estate position and possible investment options.

There are many different aspects to consider when looking to plan ahead for the future, including the possibility of moving to or departing the UK, current long-term residency position and the inheritance tax implications associated with this, and retaining your profits and tax efficient savings for financially secure retirement.

YOUR BRIGHTER THINKING NEXT STEPS...

"Ensure your Will says what you want it to say. Ensure you understand your Will and make time to consider your IHT position both for yourself, and as a family."

David Truman
Private Client Partner

PROBATE

Having supported you throughout your working life and then into your retirement, we are also experienced in dealing with and providing probate advice and estate advice.

Although probate matters are not traditionally viewed as a "year-end" matter, taking the time to consider the provisions you want to make for the future should be at least an annual assessment. As the trusted advisor, we aim to support your family and beneficiaries at the times we are needed. We have specially qualified partners and staff who can assist with a wide range of services. We also have partners who are able to act as Executors and Trustees, if required, along with members of your family.

We feel that we are well placed to provide probate services, having worked with you throughout your life to create a plan for your wealth. As accountants, we believe that we are well suited to the provision of probate services, as we specialise in accounting, taxation and administration. We also have a number of STEP qualified members within our team.

YOUR BRIGHTER THINKING NEXT STEPS...

"Undertake an annual assessment of your own wishes. Assess whether you would like Menzies to assist with probate matters in the future; consider updating your Wills accordingly such that your family members do not have to decide on this in the future."

Craig Hughes
Private Client Partner

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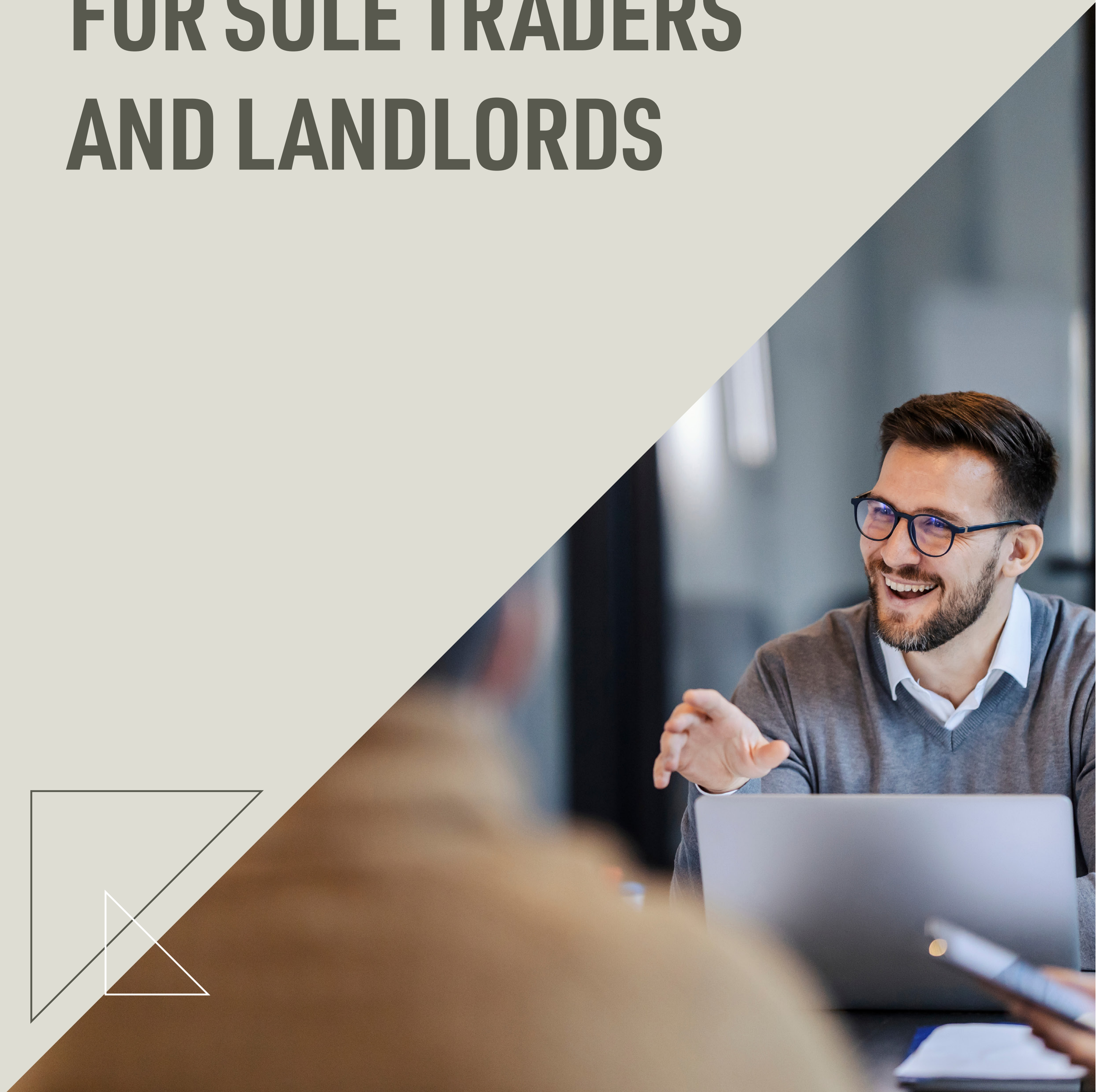
MAKING TAX DIGITAL FOR SOLE TRADERS AND LANDLORDS



MAKING TAX DIGITAL FOR SOLE TRADERS AND LANDLORDS

MTD IN A SNAPSHOT – WHO IS AFFECTED AND WHEN

HMRC's Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) regime commences in April 2026. This marks a significant shift in how individual taxpayers report their income, moving away from the traditional annual Self-Assessment return and towards a digital model based on real-time record-keeping and quarterly reporting.

The changes will apply to all individuals who are self-employed and/or landlords, with gross combined turnover from these activities exceeding £50,000. Please note that the threshold is based on gross receipts, not net profit. Affected individuals will be required to register for MTD before April 2026 and begin quarterly submissions thereafter.

Partners in partnerships and Trusts are currently outside the scope of these rules. These are likely to follow in future years but there is not a timescale for this at present.

The MTD rollout will extend further as follows:

INCOME BAND	APPLIES TO	MANDATORY FROM
Over £50,000	Sole traders and landlords	April 2026
£30,000 to £50,000	Sole traders and landlords	April 2027
£20,000 to £30,000	Sole traders and landlords	April 2028

HMRC intends the changes to improve accuracy, increase taxpayers' awareness of tax liabilities throughout the year, and promote improved financial discipline.

In businesses where there is volatility of income, it is very difficult for them to plan and ensure they have sufficient funds set aside for their tax liabilities – the real time tax estimates are a key benefit from a cashflow planning perspective. It should also allow for more proactive advice and tax mitigation strategies.

Further, for taxpayers with multiple rental properties, the ability to report at P&L level for individual properties can provide valuable commercial information that wasn't necessarily obvious or available to them historically.

Taxpayers within scope will be required to comply with the following:

Digital Record Keeping: Taxpayers must maintain digital records of all relevant income and expenditure. Many HMRC-compatible software options are available, but thought should be given to which is most appropriate for each circumstance given the needs of the taxpayer and the functionality of the software.

Quarterly Filings: Summary updates of business and/or rental income and expenses must be submitted to HMRC every quarter. Care needs to be taken to ensure there are digital links between the core Digital Records and the submission to HMRC (essentially no human re-keying of data).

Final Declaration: An annual final declaration will be submitted by 31 January following the end of the tax year. This replaces the Self-Assessment tax return in format only – the content is broadly the same.

Please note the following quarterly submission deadlines:

QUARTER	DEADLINE
Apr-Jun 2026	7 August 2026
Jul-Sep 2026	7 November 2026
Oct-Dec 2026	7 February 2027
Jan-Mar 2027	7 May 2027

There is no indication at this point that this will lead to quarterly payment of tax.

In summary, whilst this is bureaucratic and may appear simply as an additional administrative burden, if taxpayers can engage with their accountants and embrace technology, it may also improve efficiency and gain greater and more timely insights into their business data.

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PENSIONS

PENSIONS

Still Powerful, But Changing

Pensions remain one of the most tax-efficient vehicles available to UK investors. They offer:

- Income tax relief on contributions
- Tax-free investment growth
- Tax-efficient employer funding
- Historically favourable inheritance tax treatment

However, with most unused pension funds and pension death benefits legislated to fall within the scope of Inheritance Tax (IHT) from 6 April 2027, this tax year represents a key planning window.

For many clients, pensions are no longer just about retirement income, they are central to long-term tax and estate planning. A timely review could materially improve outcomes for both you and the next generation.

MAKING YOUR CONTRIBUTIONS WORK HARDER

For 2026/27, the Annual Allowance remains £60,000.

You can contribute the lower of:

- 100% of your relevant UK earnings, or
- £60,000

Tax relief is available at your highest marginal rate.

For higher earners, pension contributions can be particularly effective:

- Income between £100,000–£125,140 suffers an effective 60% tax rate due to the withdrawal of the Personal Allowance – pension contributions can restore this allowance.
- Contributions can help mitigate the High Income Child Benefit Charge.
- Personal contributions can reduce threshold income, potentially preserving your Annual Allowance where tapering may otherwise apply.

For business owners and senior executives, pensions remain one of the most efficient ways to extract value and manage tax exposure. A carefully structured contribution strategy can reduce immediate tax while enhancing long-term wealth.

EMPLOYER CONTRIBUTIONS – HIGHLY EFFICIENT

Employer pension contributions remain one of the most tax-effective planning tools available.

They are:

- Free from income tax and National Insurance for the employee.
- Generally, corporation tax deductible (subject to the “wholly and exclusively” test and timing rules) for employers.
- Not treated as dividends

For owner-managed businesses, this is often significantly more efficient than salary or dividend extraction. A regular review of your remuneration strategy is recommended.

CARRY FORWARD – A STRATEGIC OPPORTUNITY

Unused Annual Allowance from the previous three tax years can be carried forward, allowing substantial one-off contributions.

This can be particularly useful:

- Following a business sale.
- In a high bonus year.
- After significant asset disposals.

Given the upcoming IHT changes in April 2027, accelerating pension funding as part of a wider wealth planning strategy may be appropriate for some.

HIGH EARNERS – MANAGING THE PENSION TAPER

If your adjusted income exceeds £260,000, your Annual Allowance (the amount you can contribute to a pension and receive tax relief) begins to reduce.

The allowance tapers by £1 for every £2 above this threshold, down to a minimum of £10,000 gross once income reaches £360,000.

Without careful planning, excess contributions can trigger unexpected tax charges. Income modelling and proactive contribution planning are essential.

ACCESSING PENSION BENEFITS

Accessing pension benefits is a key decision with long-term consequences.

Once taxable income is taken from a defined contribution pension (for example via flexi-access drawdown or an uncrystallised funds pension lump sum), the Money Purchase Annual Allowance (MPAA) is triggered.

This permanently reduces future contribution capacity to £10,000 per year, with no carry forward available.

Before accessing your pension, consider:

- Future earning potential
- Planned contributions
- Business funding strategies

Early access can unintentionally restrict long-term planning flexibility.

LIFE AFTER THE LIFETIME ALLOWANCE

Although the Lifetime Allowance has been abolished, two key limits remain:

- Lump Sum Allowance: £268,275
- Lump Sum & Death Benefit Allowance: £1,073,100

While pension growth is no longer capped, tax-free withdrawals remain limited.

For those with historic protections (e.g. Fixed or Individual Protection), a review is advisable to ensure valuable entitlements are preserved.

THE BIG CHANGE: PENSIONS & INHERITANCE TAX (APRIL 2027)

From 6 April 2027, most unused pension funds and pension death benefits will be brought within the value of an individual's estate for IHT purposes. This represents a significant shift.

Historically, pensions have been an effective intergenerational planning tool because they sat outside the IHT net. That position is changing.

From April 2027:

- Pension funds may be subject to 40% IHT.
- Beneficiaries may also pay income tax on withdrawals.
- Combined effective tax rates could be significantly higher.

For example, a £1 million unused pension fund could give rise to a £400,000 IHT liability before any income tax is applied on extraction.

2026/27 – A KEY PLANNING WINDOW

The current tax year is likely to represent one of the final opportunities to review your pension strategy under the existing regime.

Key considerations include:

- Whether pension funds remain the most effective estate planning vehicle.
- The balance between pension and non-pension assets.
- Whether strategic withdrawals prior to April 2027 are appropriate.
- Whether drawing funds to facilitate gifting or wider estate planning should be considered.
- Reviewing beneficiary nominations and overall structure.

For some, retaining wealth within pensions will remain appropriate. For others, a rebalancing of assets may now be sensible.

What is clear is that pensions should no longer be viewed in isolation from estate planning.

YOUR BRIGHTER THINKING NEXT STEPS

- Quantify unused carry forward and assess contribution capacity before 5 April 2027.
- Model income to manage pension tapering exposure.
- Consider whether salary sacrifice is being fully utilised.
- Review death benefit nominations and overall pension structure.
- Model pre- and post-April 2027 scenarios to understand potential IHT exposure.
- Reassess your pension strategy as part of your wider estate planning.

Pensions remain one of the most effective planning tools available, but they now require more strategic oversight than ever.

Specialist advice is essential to avoid unintended tax consequences and to ensure your pension strategy aligns with your broader financial and estate planning objectives.

If you would like an introduction to a Menzies Wealth Management Financial Adviser, we would be pleased to assist.

YOUR BRIGHTER THINKING NEXT STEPS...

"Pensions remain a highly effective tool for tax-efficient long-term planning. However, with complex rules and ongoing legislative changes, careful planning is essential to avoid missed opportunities or unintended tax consequences.

Talk to us about an introduction to a Menzies Wealth Management Financial Adviser."

Jodie Watling
Wealth Management Director

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NON-UK DOMICILIARIES & OFFSHORE TRUST PLANNING

NON-UK DOMICILIARIES

The previous Conservative government announced in the Spring Budget 2024 that the UK would move to a new framework for taxing individuals with non-domiciled status. These proposals were subsequently confirmed by Labour in the Autumn 2024 Budget, with certain refinements, and took effect from 6 April 2025.

The reforms apply to internationally mobile individuals, current and former non-UK residents, and beneficiaries of non-UK resident trusts. They represent a fundamental shift in the UK tax landscape, most notably through the abolition of domicile as a relevant concept for UK tax purposes and its replacement with a residence-based regime.

For individuals who were previously non-domiciled and who have claimed the remittance basis, a series of transitional provisions has been introduced to facilitate movement into the new regime. These measures are designed to provide a degree of continuity and flexibility, with eligibility dependent on an individual's historical residence profile and prior tax position.

THE NEW REGIME

FOREIGN INCOME AND GAINS REGIME (FIG)

The FIG regime offers a four-year window of tax relief for qualifying new residents from 6 April 2025, provided they have been non-UK resident for at least 10 consecutive tax years immediately before their first tax year of UK residence. The four-year period begins from the first tax year of UK residence on or after that date.

Eligible individuals will not be taxed on foreign income, foreign gains, or distributions from non-UK resident trusts during this period, subject to some restrictions. These funds can also be brought into the UK without triggering a UK tax charge. Once the four-year term ends, they will be subject to the usual UK tax rules on worldwide income and gains.

Former UK residents who have been non-resident for at least 10 years can also benefit, provided they meet the conditions. If they are already partway into UK tax residence as of 6 April 2025, they may claim the FIG regime for any remaining years of their four-year entitlement.

A formal claim is required to access the FIG regime, and individuals must nominate the foreign income and gains to which it applies. Separate claims must be made for income and for gains.

Importantly, making a claim results in the loss of entitlement to the personal allowance for income tax and the annual exempt amount for capital gains tax during the period of the claim.

TEMPORARY REPATRIATION FACILITY

The TRF is a one-time opportunity which can be incredibly lucrative for those who are eligible. It should be assessed and taken advantage of now, while available, before this opportunity is lost forever.

This facility offers a time-limited window, from 6 April 2025 to 5 April 2028, during which eligible individuals may elect to bring previously untaxed foreign income and gains into the UK at significantly reduced tax rates. This includes not only personal offshore income and gains but also distributions and benefits received from non-UK trusts.

The preferential tax rates available under the TRF are as follows:

- 12% for the 2025/26 tax year
- 12% for the 2026/27 tax year
- 15% for the 2027/28 tax year

This compares favourably to the standard top rates of income and capital gains tax, offering a potentially valuable opportunity to repatriate accumulated offshore income and gains at a fraction of the usual tax cost.

Navigating the TRF requires a careful and coordinated approach, including tracing historical foreign income and gains, strategically timing designations, and remittances, and ensuring alignment with broader family estate planning objectives.

REBASING

Where you dispose of foreign assets after 6 April 2025, you can choose to re-base your capital assets to their value as at 5 April 2019, provided certain conditions are met.

OVERSEAS WORKDAY RELIEF

Overseas Workday Relief (OWR) will continue to be available however, the eligibility for this will be based on your residency and whether you opt to use the new 4-year FIG regime, rather than your domicile status.

INHERITANCE TAX

An individual's exposure to UK taxation will be determined solely by their UK tax residency status. A key aspect of the reform is the alignment of UK Inheritance Tax (IHT) with residency. IHT, which is charged at 40% on death, will now apply to individuals who have been UK tax resident for at least 10 out of the previous 20 tax years. These individuals will be classified as Long-Term Residents (LTRs) and will be subject to IHT on their worldwide assets.

Furthermore, a new "tail" provision has been introduced, extending IHT exposure for up to 10 years after an individual ceases to be UK tax resident. This significantly broadens the reach of the UK's IHT regime and is particularly relevant for individuals with long-standing UK ties.

This is expected to have a substantial impact on individuals with prolonged UK residency, as their global assets will now fall within the scope of UK IHT. The extended tail period is especially important when assessing long-term estate planning and tax exposure.

OFFSHORE TRUSTS

Protected Trusts – status removed

The introduction of the concept of Long-Term Residence has profound implications for settlors of non-UK resident trusts, even those settlors who remain non-domiciled under general law but now fall within the UK tax net by virtue of their residence history.

Where settlors retain a benefit in, or access to, trust assets or income (so-called settlor-interested trusts), these structures may no longer benefit from previously available protections and could now be fully exposed to various aspects of UK taxation.

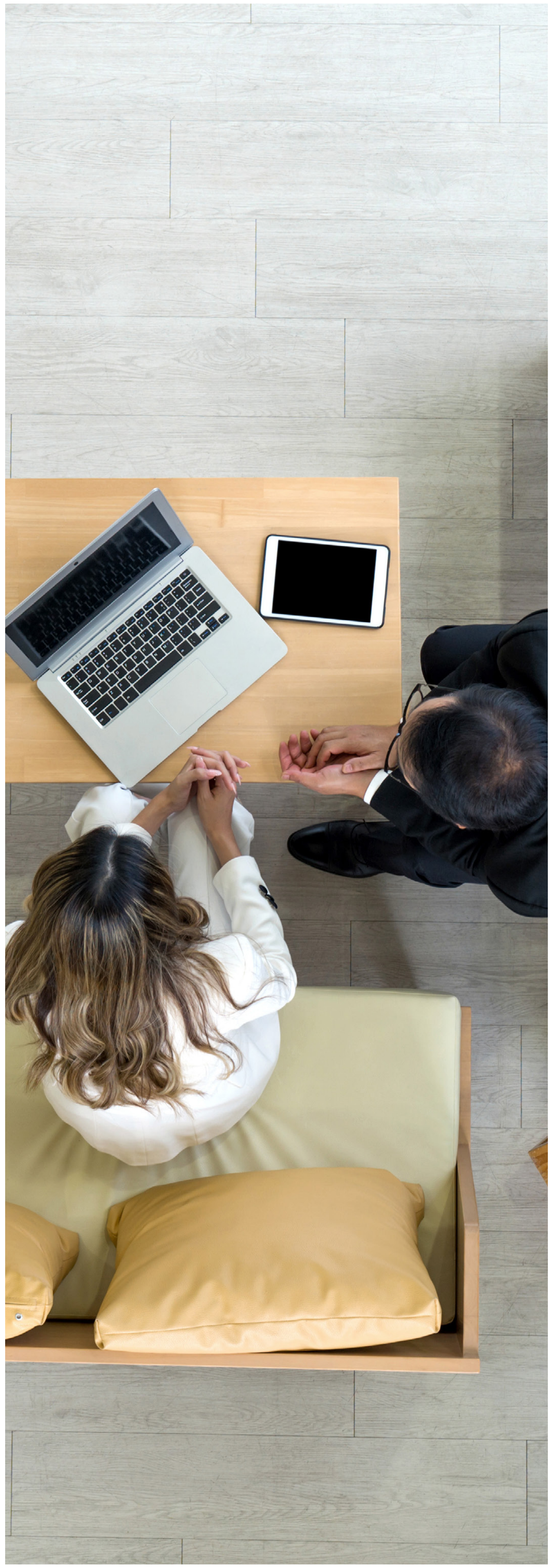
Before 6 April 2025:

- UK taxation was limited to UK source income and capital gains in respect of interests in UK land.
- Foreign income and most capital gains were typically not subject to immediate UK taxation but could trigger UK tax where a benefit was conferred to a UK resident individual.
- UK IHT applied only to UK situs assets, and UK residential property, even if held indirectly via non-UK entities.

From 6 April 2025:

- Trust income and capital gains may now be taxed on the settlor as they arise.
- Foreign income and gains arising will be subject to UK tax if distributions are made to UK residents (including settlors) who do not qualify for the 4-year FIG regime.
- A trust will now be within the relevant property regime from 6 April 2025 if the settlor is long-term resident, therefore, many excluded property trusts may now be within the scope of UK IHT

To reduce exposure, settlors may consider irrevocably excluding themselves from any benefit under the trust, thereby removing its "settlor-interested" status. It is critical that such exclusions extend to the settlor's spouse and minor children. Notably, for capital gains tax purposes, settlor status may still apply if children or grandchildren are beneficiaries. Consequently, legal and tax advice is essential to ensure the exclusion is effective and does not trigger unintended tax consequences.



PROPERTY DISPOSALS

As discussed above, non-resident CGT also applies to trustees, both on direct disposals of UK property and on disposals of "property rich" companies. The same tight reporting requirements apply as for individuals and, accordingly, we would encourage trustees to engage with their adviser before any disposal is made.

From 6 April 2019, where a disposal is made by an offshore company, whether or not the property is held through a trust, the gain is subject to corporation tax rather than capital gains tax. In the typical case where the company is not otherwise within the corporation tax regime, registration will be required within three months of the disposal, with the tax payable within three months and 14 days.

YOUR BRIGHTER THINKING NEXT STEPS...

"The post-6 April 2025 regime for former non-domiciliaries and beneficiaries of overseas trusts creates a valuable, but time-limited, planning opportunity.

Pre-6 April 2025 foreign income and gains, whether held personally or within an offshore trust, may be designated under the Temporary Repatriation Facility and taxed at a flat rate of 12% (for 2025/26 and 2026/27) or 15% (for 2027/28), rather than at the usual rates of up to 45% on income and 38.4% on capital gains (including supplementary charges applicable to trusts)."

This provides a significant opportunity for former non-doms to remit previously unremitted foreign income and gains at a reduced tax cost, and for trustees to consider front-loading capital payments or benefits to UK resident beneficiaries before the preferential window closes. Careful modelling and coordination will be essential, and we would be pleased to advise on the most appropriate strategy in your circumstances."

Vlad Kozub
Private Client Senior Manager

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UK TRUSTS

UK TRUSTS

UK Trusts continue to remain a valuable planning tool for various purposes including succession planning, tax mitigation and asset protection. Tax treatment will depend on the type of trust that is created.

The most relevant trust topic is the significant change to agricultural property and business relief.

AGRICULTURE AND BUSINESS RELIEF

From 6 April 2026 a limit on the first £2.5m of combined agricultural and business property has been introduced, retaining relief at 100%. On amounts above £2.5m the relief drops to 50%.

Initially it was uncertain if this allowance would be transferable between spouses. It was however announced in the 2025 Budget that any unused portion of the allowance at death can be transferred between spouses and civil partners.

Trusts created after 29 October 2024

In the transition period from Budget Day 30 October 2024 to 5 April 2026 qualifying assets settled into trust of £2.5m will not trigger an immediate charge to IHT. However, trusts created after this date will be liable to IHT 10-year anniversary charges at up to 3% on the value of qualifying assets above the £2.5m trust allowance and the trust's nil rate band of £325,000 per settlor.

In situations where a trust has multiple settlors, each settlor could effectively transfer up to £2.5m allowance into the one trust.

Different types of trusts are used in different circumstances, such as discretionary trusts, life interest trusts, bare trusts, settlor interested trusts, vulnerable persons trusts and more.

DISCRETIONARY TRUSTS

Discretionary trusts are popular for their nature, with trustees having the discretion to make distributions in the way they deem suitable and autonomy to administer the trust.

Most trusts with income received of up to the tax-free amount, normally £500, will not pay income tax on that income, but trustees should check whether any reporting or registration obligations still apply. HMRC will need to be informed otherwise a tax return request may be issued leading penalties for non-submission.

Discretionary Trusts are taxed at the highest rates of tax available being 39.35% for dividends and 45% for other income.

Tax pool

Tax paid by a discretionary trust is recorded as a tax pool throughout the lifetime of the trust. When distributing to beneficiaries the tax pool can be used as a tax credit to offset against the beneficiaries' personal tax affairs. The tax credit is at a rate of 45%, with the repayment for the beneficiary being the difference between the 45% and their own tax rates, the overall credit cannot exceed the tax paid by the individual.

VULNERABLE PERSONS TRUSTS

Vulnerable persons trusts are on the rise, this type of trust offers favourable tax treatment for individuals with a disability or a minor under 18 years old with a deceased parent. The trust holds assets for the beneficiary who cannot manage their own tax affairs with the trustees dealing with the administration of the trust. This type of trust can protect their inheritance and preserve means-tested benefits.

CAPITAL GAINS TAX

The capital gains tax rate for trusts is currently 24%.

Trusts continue to benefit from an annual exempt amount which is at a maximum of 50% of an individual's allowance at £1,500.

Although this is less than the benefit to individuals, it is still prudent to try to make use of this each tax year.

INHERITANCE TAX

The inheritance tax position is complex and varies depending on the age of the trust as well as the type of trust that you have. If you have a trust and are unsure of the IHT position, you should speak to your adviser.

AUTOMATIC EXCHANGE OF INFORMATION

Changes to the automatic exchange of information (AEOI) mean that all reporting financial institutions and trustee-documented trusts must now register for the AEOI service. This is a one-off requirement, not annual.

The deadline to register was either:

- 31 December 2025
- 31 January following the calendar year in which you become a reporting financial institution or trustee-documented trust

You must register, even if you have no reportable accounts.

TRUST REGISTRATION SERVICE

The UK Trust Registration Service (TRS) is an HMRC online system for registering trusts including UK taxable and non-taxable trusts. The trust must be registered by the trustees within 90 days of commencement.

Changes to trust details, such as changes in beneficiaries or trustees, must be updated on the TRS within 90 days. Failure to register or keep details up to date can result in penalties.

YOUR BRIGHTER THINKING NEXT STEPS...

"If you are considering the future of your trust or creating a new trust, now is the time to speak to your Menzies contact."

Amanda Revell
Trusts & Estates Senior Manager

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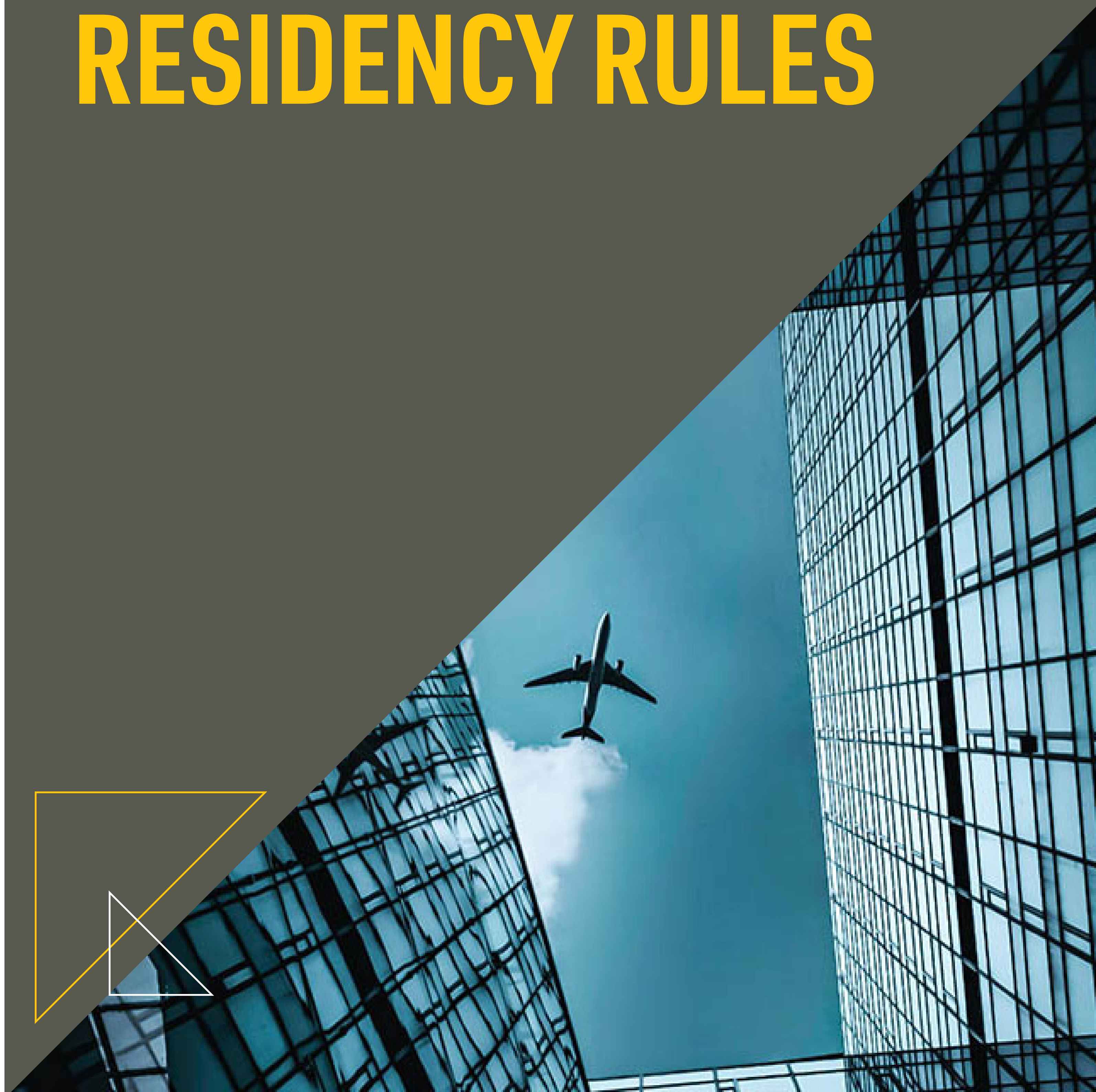
INTERNATIONAL & RESIDENCY RULES



INTERNATIONAL & OFFSHORE

The Statutory Residence Test (SRT) provides a clear framework for determining an individual's UK tax residence status. Whilst this brings a degree of certainty, the rules remain detailed and require careful thought and consideration.

The SRT does not focus solely on the number of days spent in the UK. While day counting is important, UK residence can also arise under a range of other statutory conditions. In some cases, an individual may become UK resident even where their UK day count appears relatively modest.

For example, having a home available in the UK, carrying out work duties here, or spending significantly more time in the UK than elsewhere can all affect the position. It is a common misconception that remaining below a particular day threshold will automatically prevent UK residence. In practice, the rules must be considered as a whole.

Common pitfalls include misunderstanding what constitutes a “home” in the UK, underestimating when UK work becomes substantive, and incorrectly counting UK days — for example, assuming that certain travel days will not count. Without careful monitoring and planning, it is easy to become UK resident unintentionally. A thorough review of the relevant rules is therefore essential to avoid unexpected UK tax consequences.

Under the SRT, an individual is treated as being a UK tax resident for the whole of the tax year even if they arrive or leave part way through. In many cases the ‘split year treatment’, as it is known, will apply to ensure that you are not subject to UK taxes for the period prior to or after having lived in the UK.

Where split year treatment is not available, the timing of arrival or departure becomes particularly important. An individual leaving the UK may wish to depart just before the start of a new tax year (6 April) to avoid being treated as resident for the whole of that year. Conversely, someone moving to the UK who does not qualify for split year treatment may consider arriving shortly after the start of a tax year to reduce their exposure to UK tax for the preceding period.

In short, for individuals planning to relocate to or depart from the UK, obtaining tax advice well in advance is essential, as the timing of a change in residence can have a significant impact on overall tax exposure. Careful planning around residency status can result in substantial tax savings, particularly where steps such as restructuring investments, accelerating or deferring income and capital gains, or reviewing asset ownership are involved. These actions are often sensitive to residence status and must be implemented at the right time to achieve the desired tax outcome. Early, proactive advice is therefore critical to ensure opportunities are maximised and unintended tax consequences are avoided.

YOUR BRIGHTER THINKING NEXT STEPS...

“If you consider yourself non-UK resident for tax purposes, we recommend you consider the Statutory Residence Test (SRT). Your ties to the UK could bring you within the UK tax net, and careful consideration and planning is recommended. This needs to be kept under continuous review. In the event you are to leave the UK, or else come to the UK, speak to an adviser. For the internationally mobile, who have been awarded share options, give as much consideration to UK tax implications on vesting, exercise or sale.”

Anisha Chawla
Private Client Manager

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