UK Tax Returns 2025/26: Strategic Overview & Checklist

Tax Year: 6 April 2025 – 5 April 2026 **Purpose:** Compliance readiness and documentation guide for the 2025/26 filing season.

1. Executive Summary: The 2025/26 Landscape

For the tax year ending 5 April 2026, taxpayers face a landscape defined by "Fiscal Drag." With major allowances frozen and inflation impacting costs, accurate reporting is more critical than ever to ensure tax efficiency.

This guide outlines the critical deadlines, legislative updates, and documentation required for a comprehensive tax review.

2. Key Legislative Updates & Planning Points

A professional approach requires navigating several complex changes this year.

A. Basis Period Reform (Crucial for Sole Traders)

The "Current Year Basis" is now fully mandatory. All unincorporated businesses must report profits arising in the tax year (6 April – 5 April), regardless of their accounting year-end.

- **Impact:** Potential acceleration of tax liabilities.
- **Action:** We must review overlap relief usage to mitigate the impact of transitional profits.

B. Frozen Allowances ("Fiscal Drag")

- **Personal Allowance:** Remains frozen at **£12,570**.
- **Higher Rate Threshold:** Remains frozen at **£50,270**.
- **Capital Gains Exemption:** Remains at the reduced level of **£3,000**.
- **Dividend Allowance:** Remains at the reduced level of **£500**.
- **Implication:** Even modest inflationary pay rises or small asset disposals may now trigger unexpected tax charges.

C. High Income Child Benefit Charge (HICBC)

The threshold remains at **£60,000** with the taper extending to **£80,000**. Adjusted Net Income calculations must be precise to accurately determine the clawback percentage.

3. Documentation Required for Review

To ensure accurate preparation and maximum tax efficiency, please collate the following information.

Income Sources

- **Employment:** Forms P60, P45, and P11D (Benefits in Kind).
- **Self-Employment:** Annual accounts, turnover details, and a breakdown of all business-related expenditure.

- **Property:** Rental income schedules and deductible expenses (mortgage interest certificates are required for Section 24 restriction calculations).
- **Investment Income:** Consolidated tax certificates for dividends and interest.
- **Capital Disposals:** Contract notes for any assets (shares, crypto-assets, property) sold during the year.
- **Foreign Income:** Details of any income arising outside the UK (remittance basis vs. arising basis considerations).

Reliefs & Allowances

- **Pension Contributions:** Evidence of personal contributions to registered pension schemes (for higher rate relief claims).
- **Charitable Giving:** Gift Aid certificates.
- **EIS/SEIS Investments:** Compliance certificates (EIS3/SEIS3) for tax relief claims.

4. Why Professional Review Matters

Self Assessment is no longer just about data entry; it is about compliance strategy.

1. **Payment on Account Reductions:** We analyze if your current year liability is likely to drop, allowing us to reduce your payments on account and improve cash flow.
2. **Expense Optimization:** Distinguishing between 'capital' and 'revenue' expenditure to maximize capital allowances vs. immediate deductions.
3. **Loss Relief Planning:** Utilizing trading losses effectively against other income or carrying them back to previous years.

Disclaimer: This guide highlights general tax parameters for the 2025/26 tax year and is for informational purposes. It does not constitute specific advice.