RATHBONES

Tax shouldn’t be taxing

Your definitive guide to navigating the UK tax system and protecting your wealth.

Invest well. Live well.

Wealth Management | Investment Management | Financial Planning

Tax-efficient planning and investing

The UK tax system can feel complicated, with rules, thresholds and allowances that shift over time. Without clear guidance, it's easy to overlook opportunities to reduce your tax bill, protect your wealth, and make confident decisions about your financial future.

Effective tax planning isn't about last-minute deadlines or navigating technical jargon. It's about understanding the choices available to you and using them in a way that supports your goals. From income and investment planning to inheritance considerations and allowances, thoughtful tax planning can help you keep more of what you earn and ensure your wealth is working efficiently.

Our financial planners take the time to understand your ambitions and circumstances, then guide you through the strategies that can strengthen your position today and in the years ahead. Whether you want to optimise your income, structure your investments, or put plans in place for future generations, we're here to help you unlock the potential in every pound.

With expert support behind you, tax planning becomes a powerful tool to grow, preserve and pass on your wealth with confidence.

> “…thoughtful tax planning can help you keep more of what you earn and ensure your wealth is working efficiently.”

Your roadmap to confident tax planning

01
Take control of your tax position
Understand your tax liabilities and make sure more of your money is working toward your goals.

02
Are you paying more tax than you need to?
Discover the allowances, thresholds, and reliefs available and how informed planning can help you manage your position with confidence.

03
Passing on your wealth, your way
Inheritance tax might not be inevitable. Sensitive and well-structured estate planning can help ensure your wealth reaches the people and causes you care about most.

04
Making the most of your personal allowances
From income and savings to pension contributions, understand the key allowances available to you, and how to use them effectively year after year.

05
Shaping a tax-aware investment strategy
Discover how changes to allowances and tax rules may affect your investments and how to structure your portfolio for greater tax efficiency.

06
Capital gains tax: the facts
An easy-to-follow guide to how capital gains tax (CGT) works and what to consider to help you manage your exposure over time.

07
Keeping more of your dividend income
Dividend tax rules are always evolving. Learn how to structure your investments and use alternative wrappers to protect more of your returns.

08
Life's milestones and their tax implications
Buying a home, getting married, growing your family, changing careers - understand how big life moments can reshape your financial and tax position to help you plan ahead.

09
Planning for retirement with tax in mind
Understand how to draw income in a sustainable way, make the most of your pension options and take tax into account as you make decisions that support your later life goals.

Do you know what tax relief you might be entitled to?

Hardly anyone likes to pay tax on their hard-earned money, but many don't feel confident navigating the UK tax system.

Taxes can feel complex and understanding and preparing for them can take time. Fortunately, you don't have to tackle tax planning alone. Our team can help make things clearer. By getting to know you and understanding your goals, we can identify which tax reliefs and allowances apply to your situation and how they can support your wider financial plan.

From understanding and managing your income tax, to keeping a watchful eye on any capital gains, we will plan your investments efficiently, so you save money and pay only what you owe so that more of your money remains invested for your future.

It all starts with a conversation.

Get in touch at

Contact us | Rathbones
rathbones.com/contact-rathbones

Call us: 0330 390 9191
(weekdays from 9am-5pm)

The information in this brochure reflects our understanding of current HMRC tax regulations in the UK. Your tax treatment depends on your individual circumstances and may be subject to change in the future. We do not provide tax advice. If you are unsure about your tax situation, it's important to speak to a professional tax adviser.

01
Take control of your tax position

Taking control of your tax position starts with understanding how the UK tax system treats your income, savings and investments, and how to use the available allowances each year.

With the Personal Allowance frozen at £12,570 and the basic rate band held at £37,700 until at least the end of the 2027/28 tax year, more people are entering higher tax bands because of rising incomes, even if their earnings haven't increased.

This makes it more important than ever to plan proactively and ensure you're making the most of every relief and allowance available to you.

A good starting point is to review your income sources and see whether you could benefit from the Marriage Allowance, the Property Allowance and the Trading Allowance, if you have small amounts of self-employment or trading income. Additionally, if your non-savings income is low, you may qualify for the £5,000 Starting Rate for Savings as well as the Personal Savings Allowance (PSA), which provides allowances of £1,000 for basic rate tax-payers and £500 for higher rate tax-payers against savings interest.

If your income is close to the £100,000 threshold, where the Personal Allowance begins to taper, careful planning can make a meaningful difference. The allowance reduces by £1 for every £2 earned above £100,000, creating an effective marginal tax rate of 60% in this band. Pension contributions and Gift Aid donations can be powerful tools to help you manage this.

Your investment choices matter too. Making full use of tax-efficient wrappers such as ISAs and pensions can protect income and gains from tax. And for those receiving dividend income, remember that the annual Dividend Allowance is £500, with dividend tax rates of 10.75%, 35.75% and 39.35% depending on your income band.

Small, informed decisions made throughout the year can help you reduce your tax bill, strengthen your financial resilience and ensure more of your money remains invested for your future, rather than lost to unnecessary tax.

Income tax and thresholds are set differently in Scotland which may affect how much tax you pay.

02
Are you paying more tax than you need to?

Many people assume their tax band is determined solely by their salary. In practice, the picture is often more complex.

Different types of income and the timing of when they're received can mean more of what you earn is taxed at higher rates than expected. Understanding how this works can shed light on opportunities for you to keep more of what you make.

> "With careful planning, you can shelter returns through ISAs, pensions or other investment structures"

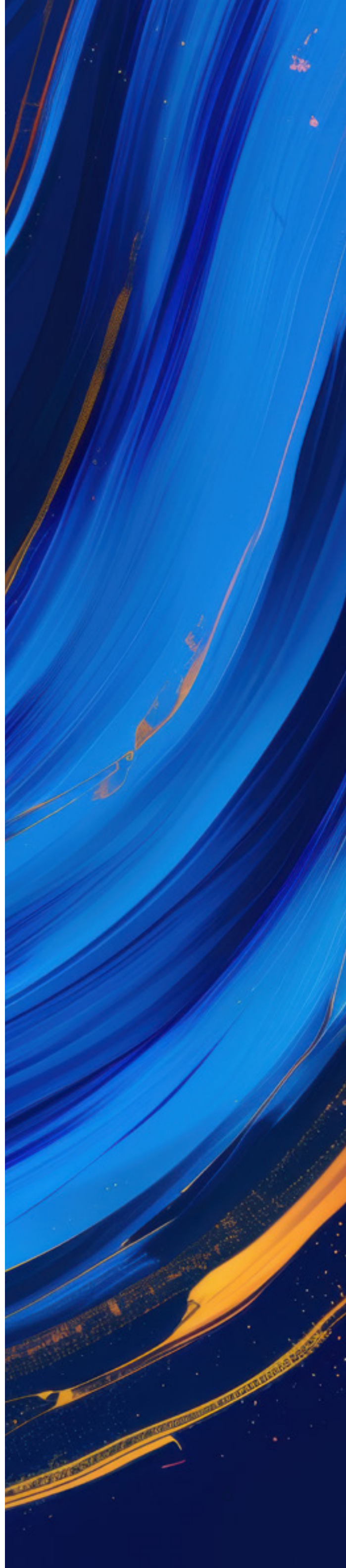
A major driver of unexpected tax is "income clustering": bonuses, dividends, benefits in kind or one-off payments that all land in the same tax year. When this happens, you may be pushed into a higher band or reduce valuable allowances. Even modest increases in income can affect thresholds such as the tapering of the Personal Allowance, the High-Income Child Benefit Charge, or Savings Allowances.

By planning ahead, you can often smooth your income across tax years and smooth these effects. For business owners and company directors, this may mean timing dividends strategically, balancing salary and profit extraction, or spreading payments more evenly. For employees, it could involve reviewing your bonuses, making pension contributions at the right moment, or using salary sacrifice to reduce taxable income.

Changes are planned to salary sacrifice in 2029, and making these sacrifices can impact your broader finances, such as mortgage borrowing, so if you are unsure, you should take professional advice.

How you structure your investments also plays a part. Holding investments outside tax-efficient wrappers means interest, dividends and chargeable gains received are all counted as income for tax purposes, meaning they can move you into higher bands. With careful planning, you can shelter returns through ISAs, pensions or other investment structures to prevent this drift over time.

Ultimately, staying clear of higher tax bands isn't about avoiding tax, it's about understanding how the system works and planning thoughtfully. A few well-timed decisions can ensure your money continues to work toward your long-term goals.



03
Passing on your wealth, your way

Passing on wealth is one of the most personal parts of financial planning, and one where small decisions can make a meaningful difference.

With the current Inheritance Tax (IHT) nil rate band frozen at £325,000 and the residence nil rate band at £175,000, many families are finding that rising property values and investment growth are pushing more of their estate into the taxable bracket. For spouses or civil partners, these two allowances can combine to protect up to £1 million from IHT when passing a family home to direct descendants. But anything above these thresholds is usually taxed at 40%, making early planning essential.

A helpful first step is understanding what forms part of your estate, and what doesn't. Pensions, for example, usually sit outside the IHT estate, meaning they may be an effective way to pass on wealth tax-efficiently. This could shift how you think about drawing an income in retirement: using taxable assets first, while preserving pension funds for the next generation may reduce the value of the estate that falls within the IHT calculation. However, from April 2027, pensions will be included as part of your estate and so it's more important than ever to start thinking about your legacy now.

Another meaningful strategy involves gifting during your lifetime, not just one-off transfers, but regular gifts made from surplus income. These can be immediately exempt from IHT, provided they do not affect your standard of living. Meanwhile, larger gifts can fall outside your estate after seven years, allowing families to pass on wealth gradually, while keeping control of your own financial needs.

Trusts may also provide structure, protection and flexibility. They can help you support children or grandchildren at the right time and in the right way, particularly useful for more complex families, vulnerable beneficiaries or when you want to protect assets for specific purposes.

Ultimately, thoughtful and effective legacy planning is less about reducing tax and more about making sure your wealth supports the people and causes that matter to you, guided by your values, shaped by your wishes, and supported by the right financial structures.

04
Making the most of your personal allowances

Personal allowances are some of the simplest and most valuable features of the UK tax system, yet they are often overlooked. Many people assume their allowances are applied automatically or can't be influenced by their planning. In reality, how and when you use your allowances can make a meaningful difference to how much tax you pay over your lifetime.

A natural starting point is the Personal Allowance, which currently allows you to earn £12,570 tax-free each year. For some households, particularly couples or those with variable incomes, there are opportunities to reorganise income so that both partners use their full allowance. This could involve reviewing how income-producing assets are held, looking at ownership structures or making use of the Marriage Allowance. This allows a lower earning partner to transfer £1,260 of their allowance to a higher earning spouse, in certain circumstances, therefore reducing their tax bill with a £252 reduction in income tax (20% of £1,260).

Savings and investment allowances also offer useful flexibility. The Personal Savings Allowance allows basic rate taxpayers to earn up to £1,000 of interest tax-free, while higher rate taxpayers can earn up to £500. When combined with the £5,000 starting rate for savings, people with modest levels of earned income may be able to receive significant interest without paying tax, all without complex planning.

Where investments are concerned, understanding how allowances interact with one another can help you position assets more effectively. For example, holding higher yielding investments inside an ISA or pension, while placing lower yielding or fixed term investments outside these wrappers, can help you stay within the key thresholds each year.

> "small decisions can build real momentum and compound, helping you keep more of your wealth invested and growing"

Making the most of your annual allowances isn't simply about reducing tax today. Over time, these small decisions can build real momentum and compound, helping you keep more of your wealth invested and growing.

05
Shaping a tax-aware investment strategy

Investments tend to grow more smoothly when tax is taken into account from the start. Yet for many people, tax is an afterthought rather than a guiding principle. A smart investment tax strategy isn't about chasing returns; it's about structuring your portfolio so more of those returns can support your long-term goals.

One of the most effective ways to manage tax is through asset placement: deciding which investments sit in which "wrappers". Tax-efficient accounts such as ISAs and pensions in the accumulation phase shield income and gains entirely, making them well-suited to higher-yielding or frequently traded investments. Outside these wrappers, the rules work differently. With the Capital Gains Tax (CGT) allowance now significantly reduced, even routine portfolio rebalancing can create a tax charge.

Making use of your annual allowance, spreading disposals across multiple tax years, and offsetting gains with realised losses can all help manage this over time.

Dividend-producing investments also deserve attention. With the dividend allowance now just £500, even modest portfolios can generate taxable income. Placing income-producing assets inside ISAs or pensions or choosing accumulation funds that reinvest income rather than paying it out, can help reduce unnecessary tax when held in tax-efficient wrappers, and allow wealth to compound steadily in the background.

Another powerful and often overlooked strategy is family equalisation. Transferring assets between spouses or civil partners can help balance income, make the most of both partners' allowances, and reduce exposure to higher or additional tax rates. For CGT purposes, these transfers are typically tax neutral, providing a helpful way to rebalance portfolios more effectively within a household.

Ultimately, a strong investment strategy should help ensure your portfolio grows with fewer interruptions, with more of your wealth remaining invested for the future:

- Be proactive rather than reactive
- Place the right assets in the right wrappers
- Manage gains deliberately
- Use the full range of household allowances available

06

Capital Gains Tax: the facts

Capital Gains Tax (CGT) has shifted from a specialist issue to something that affects a wide range of investors. With the Annual Exempt Amount now just £3,000, a historic low, many more people are finding that even modest investment activity can result in a taxable gain.

Recent government data shows the impact of the change: the halving of the allowance has led to an additional 235,000 people now needing to report capital gains each year, with up to 500,000 individuals expected to be affected overall.

The rise in CGT exposure isn't only affecting active traders. Everyday actions such as rebalancing a portfolio, selling long-held shares, or realising assets to fund an ISA contribution can now trigger a CGT liability. Even small disposals that once fell comfortably within the old allowance may now exceed it, simply because the threshold is much lower.

CGT rates have also increased. Since the changes introduced in October 2024, gains that fall within the basic rate band are taxed at 18%, and gains above that are taxed at 24%.

Certain groups are feeling the impact more strongly. Government modelling indicates that those with general investment accounts, buy-to-let properties, second homes, or long-term unwrapped portfolios are now among the most affected, many for the first time.

> “many more people are finding that even modest investment activity can result in a taxable gain”

The good news is that CGT is one of the most manageable taxes, provided you take a considered, year-round approach. Making use of realised losses, spreading disposals across tax years, transferring assets between spouses or civil partners, and gradually moving investments into tax-efficient wrappers can all help you manage your exposure over time.

Understanding CGT isn't just about the tax you might pay today, it's about ensuring more of your investment growth stays invested for tomorrow.

07

Keeping more of your dividend income

Dividends can be a reliable way to grow your wealth over time. They provide a steady stream of returns that can compound year after year, but only if you manage them thoughtfully. With the Dividend Allowance now just £500, more investors are discovering that a passive, unmonitored approach can lead to unnecessary tax drag. The good news? With a few well-judged adjustments, dividends can become one of the most effective building blocks in a long-term financial plan.

A simple way to improve long-term returns is through dividend optimisation: choosing how you receive dividends rather than accepting the default option. For example, moving from income-paying share classes to accumulation units means dividends are automatically reinvested. This keeps more of your money working and compounding, instead of being paid out as income (it's important to note that switching to accumulation units does not reduce tax unless the investment is held within a tax wrapper such as an ISA or pension). Over time, this small adjustment can make a meaningful difference to overall returns, particularly for long-term investors.

Dividend quality is also important. High headline yields can look appealing, but they sometimes come with greater volatility or less tax efficiency. Many investors benefit more from "total return" strategies, where a combination of measured income and steady capital growth creates more flexibility. This allows you to control when to realise income, rather than receiving it automatically throughout the year.

For couples, sharing dividend-producing assets can be effective. By balancing holdings between spouses or civil partners, both individuals can make better use of their dividend and income tax allowances. Even a small rebalancing exercise can reduce the amount of dividend income taxed at higher rates and help couples retain more of their investment income for long-term goals.

Above all, dividends should be seen as more than periodic payments; they are a source of potential long-term growth. When structured well, dividend income becomes a long-term wealth accelerator: steady, resilient, and reinvested with purpose. With thoughtful planning, even today's smaller allowances can become an opportunity to build a stronger, more efficient portfolio.

08
Life's milestones and their tax implications

Life rarely moves in a straight line, and neither does your tax position. Every major milestone brings new opportunities, responsibilities and, importantly, decisions that can shape your long-term financial wellbeing. Thinking about tax at these moments isn't about being transactional; it's about ensuring each step forward builds a stronger future.

Buying property is one of the biggest shifts. From Stamp Duty considerations to how ownership is structured, the decisions you make at the outset can influence your tax position for years. For example, jointly owned rental property may allow couples to share rental income more efficiently, while the timing of a sale or renovation can affect potential Capital Gains Tax on second homes. Property often becomes a major part of personal wealth, so planning early can help prevent unexpected tax pressures later on.

Marriage or civil partnership opens the door to several planning options. Beyond the Marriage Allowance, couples can transfer assets between them without triggering Capital Gains Tax. This can help balance income, smooth investment gains and support longer-term inheritance planning.

Looking at your finances jointly, rather than individually, often reveals opportunities that neither partner would have alone.

Growing a family brings emotional milestones, and new financial considerations. Planning for childcare costs, education fees or future support for dependants creates opportunities to use gifting strategies, trusts or savings vehicles designed for children. Early planning gives your wealth more time to grow alongside your family's needs.

Finally, changing jobs or careers can reshape your tax position more than you might expect. A shift in earnings might alter which allowances you can access, alter pension contribution opportunities, or bring bonuses, share plans and benefits into play. Taking stock at these moments can help you avoid pitfalls and make the most of new possibilities.

09 Planning for retirement with tax in mind

Retirement isn't a single moment, it's a transition. The choices you make during this period can shape how long your money lasts, the freedom you enjoy, and how smoothly your income supports your lifestyle. The strongest retirement plans aren't built on assumptions; they're guided by thoughtful, tax-aware decisions that keep more of your savings working hard for you over time.

A key consideration is how you draw income. Many people naturally look to their pensions first, but from a tax perspective, that isn't always the most efficient route. Because pensions currently sit outside your estate for Inheritance Tax purposes, until April 2027, using taxable savings or investments first can sometimes help preserve more of your long-term wealth. The order in which you access ISAs, pensions, bonds, or general investments can influence your tax band, your future flexibility and the longevity of your portfolio.

It helps to be mindful of the tax thresholds that apply in later life. Even a small increase in annual withdrawals can move you into a higher tax band, reduce your Personal Allowance, or for those still supporting children, trigger the High-Income Child Benefit Charge. Retirement is therefore a balancing act: shaping the income you need to maintain your lifestyle while staying within the bands that support your broader financial goals.

As people live longer and work more flexibly, retirement planning is also becoming more dynamic. For many people, retirement now unfolds in stages. Phased retirement, part-time work, or consulting can create a blend of earnings, pension payments and investment withdrawals. Understanding how these different income streams interact from a tax perspective ensures you stay in control, rather than letting tax thresholds dictate your decisions.

This is where Rathbones can offer meaningful support. Our financial planners can help you explore different retirement paths, understand the tax implications of each, and structure your income in a way that supports your lifestyle today and your long-term financial wellbeing. When retirement planning and tax planning work together, your money works harder and you can feel more at ease.

Let’s talk.

Fortunately, you don’t have to tackle the UK tax system alone. Our experienced financial planners can help you navigate the complexity of tax planning and make the most of the available allowances and reliefs to help you preserve, grow, or pass on your wealth.

If you’re ready to live well, get in touch to arrange a conversation with one of our team.

Call us: 0330 390 9191
(weekdays from 9am-5pm)

Submit an enquiry online:
rathbones.com/contact-rathbones

A typical Rathbones client has more than £300,000 to invest or plan their financial future with, including any pensions they may already have.