DG FINANCIAL
SERVICES LIMITED

A GUIDE TO
TAX YEAR PLANNING

Why it's time to make the most of your tax-free allowances before 5 april 2026

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WHY IT'S TIME TO MAKE THE MOST OF YOUR TAX-FREE ALLOWANCES **BEFORE 5 APRIL 2026**

A practical guide to using UK allowances efficiently before the tax year end

As 5 April 2026 approaches, many UK individuals review whether they are making full use of their tax-free allowances before the end of the tax year. These allowances play an important role in reducing UK tax exposure, improving cash flow, and supporting longer-term financial planning.

When used effectively, tax-free allowances allow you to retain more of your income and investment returns within the UK tax system. However, many of these allowances operate on a "use it or lose it" basis and reset at the end of each UK tax year. As a result, end-of-tax-year tax planning before April 2026 can help ensure that valuable allowances are not wasted.

WHY TAX-FREE ALLOWANCES MATTER BEFORE THE END OF THE UK TAX YEAR

UK tax-free allowances are designed to reduce the amount of tax you pay on income, savings, and investments. However, most allowances cannot be carried forward. If they are not used before the tax year ends on 5 April, the opportunity is usually lost.

As a result, reviewing your tax-free allowances before April 2026 is a key part of effective end-of-tax-year planning in the UK. By acting before the deadline, you can identify any unused allowances and consider whether further steps can still be taken to improve tax efficiency, rather than leaving decisions until it is too late.

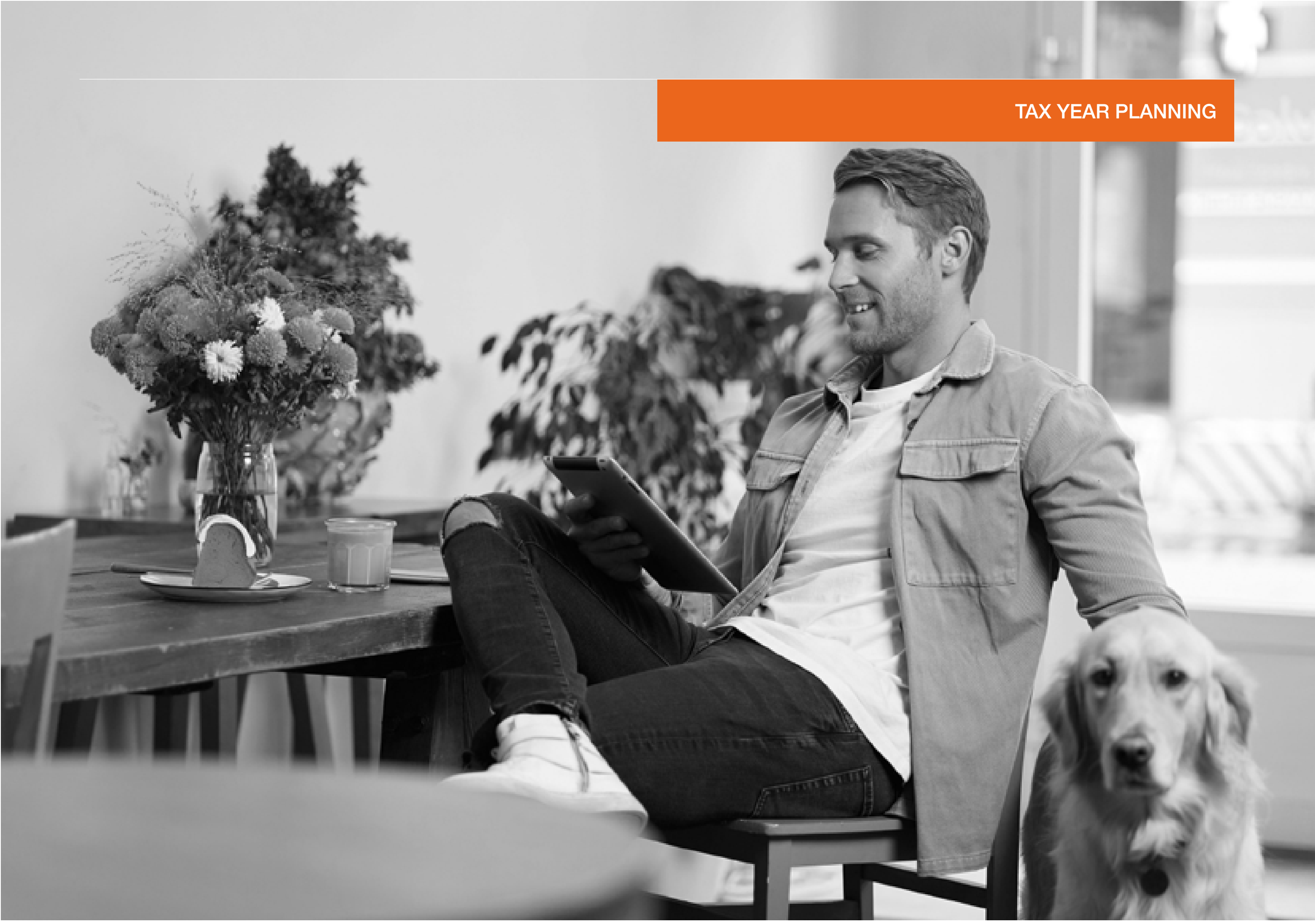
UNDERSTANDING YOUR UK PERSONAL ALLOWANCE

The UK personal allowance is the amount of income you can receive each tax year before income tax becomes payable. For most individuals, this allowance is applied automatically through PAYE or self-assessment. However, it may be reduced or withdrawn entirely once income exceeds certain thresholds.

In some cases, careful planning before April 2026, including using pension contributions or other UK tax-free allowances, can help manage taxable income and reduce the risk of losing the personal allowance unnecessarily.

MAKING FULL USE OF ISA TAX-FREE ALLOWANCES

ISA tax-free allowances remain among the most flexible and widely used tools in UK tax-efficient financial planning. Each UK tax year, individuals can invest up to the annual ISA allowance across Cash ISAs, Stocks & Shares ISAs, or a combination of both, depending on their objectives and risk profile.



Importantly, ISA allowances reset at the end of each UK tax year. Any unused ISA allowance is forfeited once the deadline passes, meaning missed opportunities cannot be reclaimed.

Before 5 April 2026, it is important to consider these:

- How much of your ISA tax-efficient allowance has already been used
- Whether Cash ISAs or Stocks & Shares ISAs are more appropriate for your circumstances
- How ISA contributions align with your wider UK financial objectives

Over time, consistently using ISA allowances can create a substantial source of tax-free income and capital, supporting both short- and long-term financial goals.

Capital gains tax allowances in the UK

UK capital gains tax allowances allow a portion of investment gains to be realised each tax year without triggering a tax charge. As a result, they can help manage tax exposure on investments over time.

Where appropriate, using your capital gains tax allowance before April 2026 can help manage future UK tax liabilities by spreading gains across multiple tax years rather than realising them in a single year. This approach is particularly relevant for UK investors holding shares, investment portfolios, or second properties, where gains may otherwise accumulate over several years.

DIVIDEND AND SAVINGS TAX-FREE ALLOWANCES

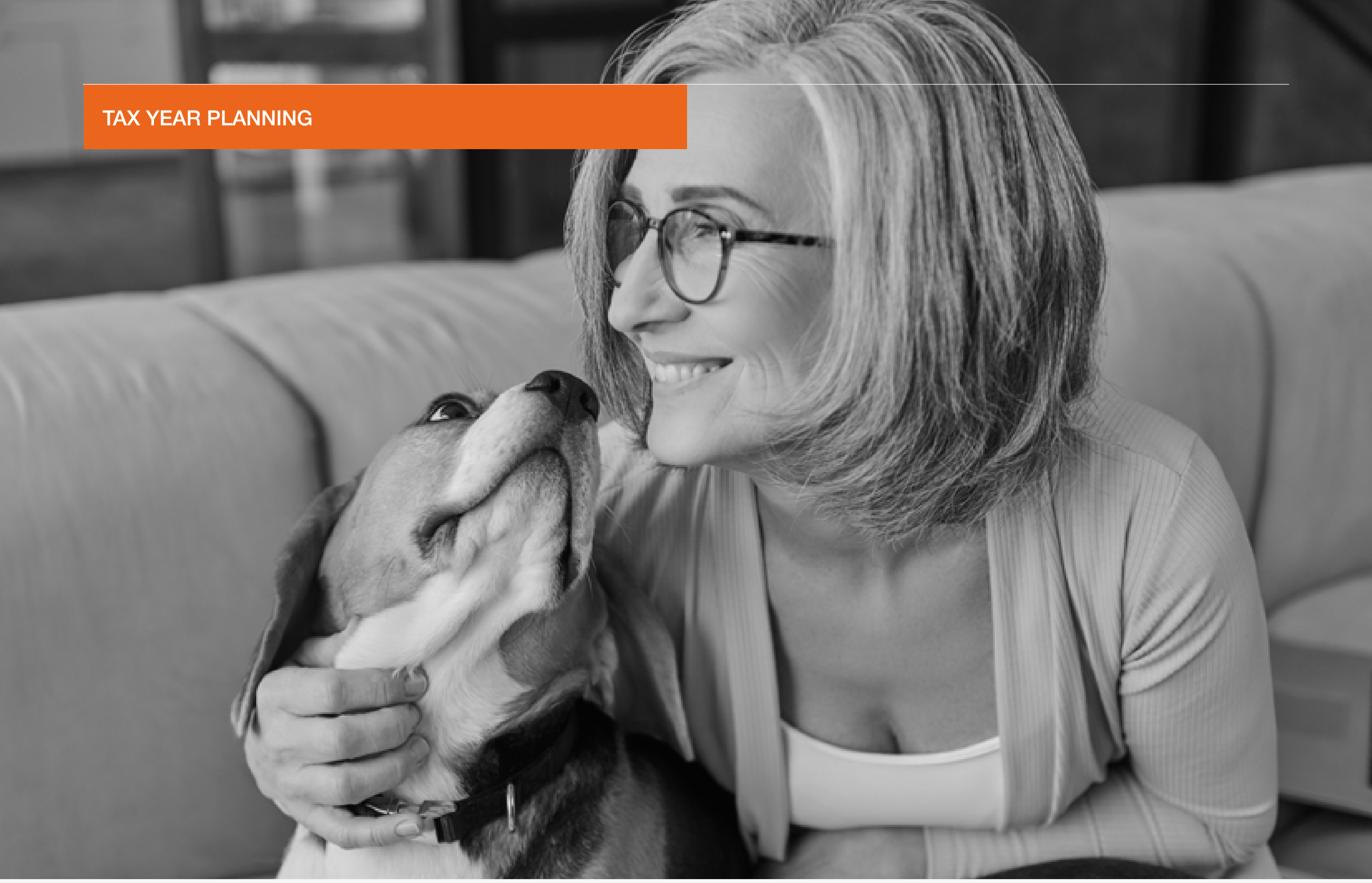
In addition to ISAs and capital gains allowances, UK individuals also benefit from specific tax-free allowances for dividend income and savings interest. Taken together, these allowances can help reduce the tax paid on investment income held outside tax-wrapped products.

In practice, these allowances allow part of your dividend income and savings interest to be received without additional UK tax. However, they are often overlooked, particularly when income is spread across multiple accounts or investments and not reviewed regularly.

For this reason, reviewing dividend and savings income as part of your wider tax-free allowance planning before April 2026 can help ensure that allowances are used efficiently and that income is structured in the most tax-effective way possible.

USING UK TAX-FREE ALLOWANCES AS PART OF A WIDER FINANCIAL PLAN

While each UK tax-free allowance can be reviewed individually, they are most effective when considered together as part of a broader financial strategy. In practice, this ensures that allowances support not only tax efficiency but also your longer-term financial goals.



This broader approach typically involves considering:

- UK income needs and day-to-day cash flow
- Short- and long-term investment objectives
- Your current and future UK tax position
- Estate and Inheritance Tax planning considerations

In many cases, combining pensions, ISA allowances, and other UK tax-free allowances can provide greater flexibility and resilience over time, helping to create a more balanced and sustainable financial plan.

PRACTICAL STEPS TO TAKE BEFORE 5 APRIL 2026

As the UK tax year draws to a close, it is sensible to review your position well in advance rather than leaving decisions until the final weeks. By doing so, you allow time for thoughtful planning and avoid unnecessary pressure.

Before 5 April 2026, it is worth reviewing:

- Which UK tax-free allowances are available to you
- How much of each allowance has already been used
- Whether any unused allowances can still be applied before the deadline
- How allowances align with your wider financial goals

Taking action early allows decisions to be made calmly and strategically, rather than under pressure. ■

How DG Financial can help

At DG Financial, tax-free allowance planning is approached within the context of the UK tax system and your wider financial position. Reviewing your tax-free allowances before 5 April 2026 helps ensure you use opportunities efficiently and align them with your longer-term objectives.

Professional advice can help identify which UK tax-free allowances are most relevant to your circumstances and how best to integrate them into a clear and coherent financial plan.

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