**Capital gain tax CGT**

Capital gains taxes are payable on most valuable items or assets sold at a profit. Antiques, shares, precious metals and second homes could be all subject to the tax if the profit is large enough. This lower boundary of profit is set by the government, and if the profit is lower than this limit it is tax-free. The [tax rate](https://en.wikipedia.org/wiki/Tax_rate) on capital gains may depend on the seller's income. If any property or asset is sold at a loss, it is possible to offset it against annual gains. For [equities](https://en.wikipedia.org/wiki/Equities), national and state legislation often has a large array of fiscal obligations that must be respected regarding capital gains. The CGT can be considered a cost of selling which can be greater than, for example, [transaction costs](https://en.wikipedia.org/wiki/Transaction_cost) or [provisions](https://en.wikipedia.org/wiki/Provision_(accounting)). The literature provides information that barriers for trading negatively affect the investors' willingness to trade, which in turn can change asset prices.

Companies with tax-sensitive customers are particularly reactive to capital gains tax and its change. CGT and changes to it affect trading and the stock market. Investors must be ready to react sensibly to these changes, taking into account the cumulative capital gains of their customers. They are sales must be delayed due to an unfavourable market conditions caused by capital gains tax. Great capital gains discourage selling. On the contrary to this fact, small capital gains stimulate the trade and investors are more likely to sell It is easy to show that to be willing to sell now the investor must believe that the stock price will go down permanently. Thus, a capital gains tax can create a potentially large barrier to selling. Of course, the foregoing calculation ignores the possibility that there might be another tax timing option: Given capital gains tax rates fluctuate over time, it might be worthwhile to time the realization of capital gains and wait until a subsequent regime lowers the capital gains tax rate. Our team of qualifies specialists have extensive knowledge and experience dealing with all issues relating to CGT

### We can help you:

Advice on how and when is best to dispose of your asset so that you reduce your capital gains tax bill  
Advice on the availability of relief applicable to your situation, including:

* Annual allowance
* Business Asset Disposal Relief (Previously Entrepreneurs relief)
* Business Asset Rollover Relief
* Private Residence Relief
* Letting Relief
* Advice on the use of existing capital losses
* Ensure your gains are maximised
* Obtain HMRC agreement where valuations are involved

## Income Tax & Self Employment

## Should I pay any Income Tax?

Income Tax is charged on most types of income. The most common way is on your wages and salary from work.

But you also need to pay Income Tax on:

* profits, if you run a business
* interest and dividends from savings and investments
* rent you get if you’re a landlord.

You don’t usually pay Income Tax on all your taxable income. This is because most people qualify for one or more allowances.

An allowance is an amount of otherwise taxable income that you can earn each year, without paying tax on it.

**What shall I pay?**

|  |  |  |
| --- | --- | --- |
| **Allowance or threshold** | **2025/26** | **2024/25** |
| **Personal Allowance** | £12,570 | £12,570 |
| **Income threshold for Personal Allowance** | £100,000 | £100,000 |
| **Marriage Allowance** | £1,260 | £1,260 |
| **Personal Savings Allowance** | £1,000 / £500 | £1,000 / £500 |
| **Dividend Tax Allowance** | £500 | £500 |

If you earn above the threshold, your Personal Allowance is reduced by £1 for every £2 you earn above it, until it reaches £0.

20% of the Marriage Allowance is given as a reduction in your tax bill. This is unlike the Personal Allowance and Age Allowance, which are deducted from your taxable income before tax is worked out.

###### Find out more in our guide [Marriage and married couple's allowance](https://www.moneyhelper.org.uk/en/work/employment/marriage-and-married-couples-allowance)

[Back to top](https://www.moneyhelper.org.uk/en/work/employment/how-income-tax-and-personal-allowance-works#top)

## What is a Personal Allowance?

Everyone, including students, has something called a Personal Allowance. This is the amount of money you’re allowed to earn each tax year before you start paying Income Tax.

For the 2025/26 tax year, the Personal Allowance is £12,570. If you earn less than this, you usually won’t have to pay any Income Tax.

Your Personal Allowance might be bigger if you claim Marriage Allowance or Blind Person’s Allowance. Or it might be smaller if you’re a high earner or if you owe tax from a previous tax year.

## How much Income Tax will I pay?

Income Tax is made up of different bands. This means as your income increases, so does the amount of Income Tax you pay.

The table below shows the rates of Income Tax depending on how much you earn.

**Rates of Income Tax**

|  |  |
| --- | --- |
| **Income** | **Income Tax bands 2025/26** |
| **£0 to £12,570** | 0% |
| **£12,571 to £50,270** | Basic rate: 20% |
| **£50,271 to £125,140** | Higher rate: 40% |
| **Over £125,140** | Additional rate: 45% |

Remember, you don’t pay Income Tax at the same rate on all your income. You only pay the rate of Income Tax on your income in the bracket. For example, if you earn £52,000 a year, the Income Tax you’ll pay works out like this:

**Calculations on earnings £52,000 per year**

|  |  |  |
| --- | --- | --- |
| **Income** | **Income Tax band** | **Tax you pay** |
| Up to £12,570 | 0% | No income tax on first £12,570 |
| Between £12,571 and £50,270 | 20% | 20% Income Tax on your next £37,700 income  (£50,270 - £12,570 = £37,700) |
| Between £50,271 and £125,140 | 40% | 40% on the final £1,730 of income  (£52,000 - £50,270 = £1,730) |
| Over £125,140 | 45% | No Income Tax paid at this rate |

**VAT**

Value Added Tax (VAT) is a consumption tax on the value added to nearly all goods and services bought and sold in and into the European Union. VAT is an important own resource for the EU budget.

**Who needs to pay vat**

VAT is a tax which is ultimately paid by the consumer, and is not a tax on individual businesses. VAT is typically included on business invoices.To calculate VAT when you have the tax base:

1. Multiply the tax base by the VAT percentage. Formula: VAT = Tax base × (VAT rate ÷ 100)
2. Add the VAT to the total of the tax base to obtain the final price. Formula: Final Price = Tax Base + VAT.

**Capital allowance**

Capital allowances are akin to a tax deductible expense and are available in respect of qualifying capital expenditure incurred on the provision of certain assets in use for the purposes of a trade or rental business. They effectively allow a taxpayer to write off the cost of an asset over a period of time. If you buy an asset that qualifies for 100% first-year allowances you can deduct the full cost from your profits before tax. You can claim 100% first-year allowances in addition to annual investment allowance ( AIA ), as long as you do not claim both for the Is it worth claiming capital allowances?

The most obvious reason why claiming capital allowances are useful is that doing so reduces your tax bill. In some cases, this can be by a significant amount. There might be times that you can't use all of your allowance against your tax bill

**Corporation Tax**

How do I avoid 25% corporation tax?

**Proven ways to reduce Corporation Tax –**

1. Capital Allowances – tax relief on depreciation of assets and equipment. ...
2. Additional relief for capital expenditure. ...
3. Claim R&D Tax Relief. ...
4. Pay a lower Corporation Tax rate of 10% by claiming Patent Box tax relief. ...
5. Ensure Taking dividends doesn't directly reduce corporation tax. Dividends are distributed from post-tax profits, meaning corporation tax applies before paying dividends. However, dividends are often taxed at a lower rate than salaries, making them tax-efficient for shareholders or directors to withdraw profitsross-border taxes are minimised.

**Inheritance Tax (IHT)**

The standard Inheritance Tax rate is 40%. It's only charged on the part of your estate that's above the threshold. How much can you inherit without paying tax in the UK?

IHT may have to be paid on the estate if it's worth more than the tax-free threshold of £325,000. This means that the first £325,000 of your estate is tax-free – the 40% tax only applies to any assets over this threshold.

**Annual Exemption**

You can give away a total of £3,000 worth of gifts each tax year without them being added to the value of your estate. This is known as your 'annual exemption'. You can give gifts or money up to £3,000 to one person or split the £3,000 between several people. Technically speaking, you can give any amount of money you wish as a gift to one or more of your children or any other member of family. Some parents also choose to buy property and put it into their child's / children's names