



Lawyers' Guide to Preparing for the New Tax Year

5 Key Actions to Consider

In the document below, **Adrian Johnson** outlines a strategic approach to tax planning in the build up to the new tax year starting April 6th, focusing on 5 key actions you can take before the end of current tax year to optimise your financial position and maximise available reliefs.

1. Optimise Pension Contributions

Pensions remain one of the most tax-efficient ways to save for retirement, particularly for senior lawyers who face high Income Tax liabilities. The maximum annual allowance for tax-relievable pension contributions is currently £60,000 or 100% of earnings, whichever is lower. However, the tapered annual allowance reduces this for those earning above £260,000, with a minimum threshold of £10,000.

Before April 6th:

- Maximise pension contributions within your allowance.
- Carry forward any unused allowance from the previous three years to increase contributions.

Preparation for 2025/26: If your earnings fluctuate due to bonuses or profit share structures, plan your contributions early to optimise tax relief. Check whether your firm offers salary sacrifice pension schemes, which can further reduce tax liabilities.

Note for lawyers, many of whom need to be mindful of the tapering arrangements - sensible planning still makes pensions a wonderful tool for wealth accumulation.

2. Maximise Your ISA Allowance

As a medium-high earning legal professional, ISAs remain one of the most effective ways to tax-efficiently maximise your investments and savings. The annual ISA allowance for 2024/25 is £20,000 and any unused allowance cannot be carried forward.

Before April 5th ensure you have maximised your contributions to protect savings from:

- Capital Gains Tax (CGT) on investment growth; and
- Income Tax on interest and dividends.

Preparation for 2025/26: Consider setting up a regular ISA contribution plan to ensure you fully utilise the allowance in the new tax year while benefiting from compounding growth and tax-free returns.



3. Manage Capital Gains Tax (CGT) Liabilities

CGT rates are set to increase from April 6th:

- Basic rate taxpayers: 10% → 18%
- Higher and additional rate taxpayers: 20% → 24%

If you have investment portfolios, property assets or equity interests in law firms, consider realising gains before April 5th to benefit from lower rates. Additionally, make use of the £3,000 CGT annual exemption to reduce taxable gains.

Preparation for 2025/26: If you regularly invest, explore tax-efficient options such as Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs), which offer tax reliefs and can help mitigate future CGT liabilities.

4. Utilise Inheritance Tax (IHT) Exemptions

With increasing asset values, particularly in London property markets, IHT planning is essential for lawyers with estates. You can reduce future IHT exposure by making use of annual exemptions by April 6th:

- Gift up to £3,000 tax-free per year;
- Carry forward any unused exemption from 2023/24; and
- Contribute to a Junior ISA or pension for your children to pass on wealth tax-efficiently.

Preparation for 2025/26: Consider structured IHT planning, including the use of trusts, family investment companies and charitable donations, to optimise wealth transfer strategies.

5. Plan for Business Asset Disposal Relief (BADR) Changes

If you hold equity in a law firm or own a legal consultancy business, be aware that the Business Asset Disposal Relief (BADR) rate is rising from 10% to 14% on 6th April.

If you are considering selling your equity stake or restructuring your firm's ownership, completing the transaction before the tax year ends could result in significant tax savings.

Preparation for 2025/26: Consult with a tax advisor to explore succession planning strategies, share transfers, or reinvestment options to maintain tax efficiency.

Proactive financial planning before 5th April 2025 can help lawyers optimise tax efficiencies and mitigate upcoming increases. Given the complexity of UK tax law, consulting with a specialist can ensure that your investments, pensions, and wealth transfer strategies are fully optimised.

If you'd like to discuss your financial planning in more detail, book a consultation to explore tailored tax strategies for 2025/26.

You can drop me an email at adrian@permanentwealth.co.uk or book a no-obligation call with me, free of charge, on our website here: <https://permanentwealth.co.uk/appointment-booking/>