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How 2025's CGT

Overhaul Affects

Retirement and Estate Planning

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The 2025 reform of Capital Gains Tax (CGT) in the UK introduces higher rates and reduced exemptions, significantly impacting retirement and estate planning strategies. Understanding these changes and adapting plans accordingly is vital for preserving wealth and minimizing tax liabilities.

Key 2025 CGT Changes

Change	Previous	2025	Effect
CGT Rate (basic rate)	10% on most gain	18%	Higher tax on asset gains
CGT Rate (higher rate)	20% on most gain	24%	Increased liability
Residential Property Rate	18/28%	18/24%	Affects property owners
Annual Individual Allowance	£6,000 (2023/24)	£3,000	Fewer tax-free gains permitted
Trusts' Annual Allowance	18/28%	18/24%	Affects property owners
BADR Rate	£6,000 (2023/24)	£3,000	Fewer tax-free gains permitted
Investors' Relief Lifetime Limit	£10 million	£1 million	Lower relief for entrepreneurs

Impact on Retirement Planning

I

Increased Tax Burden:

Capital gains realized during retirement are liable to higher CGT rates, with smaller tax-free allowances reducing the threshold for taxable gains.

E

Emphasis on Tax-Efficient Vehicles:

Maximizing investments in ISAs and pensions, which are exempt from CGT, is critical to mitigate tax exposure.

C

Careful Timing of Asset Disposal:

Spreading disposals over multiple tax years can help utilize the reduced annual exemption effectively and manage tax liabilities.

B

Business Owners:

Those exiting businesses should consider the increased BADR rates and reduced lifetime allowance to optimize tax relief.

Impact on Estate Planning

01 **Higher CGT on Estates and Trusts:**

Trustees pay a flat **24% CGT rate** with a lower **£1,500 annual** exemption, increasing tax payable before assets are transferred to beneficiaries.

02 **Interaction with Inheritance Tax (IHT):**

Coordinating CGT and IHT strategies is essential to minimize the total tax paid by heirs.

03 **Strategic Lifetime Transfers:**

Early gifting may reduce tax burdens, but must be balanced against CGT implications on disposals.

04 **Need for Professional Advice:**

Complex rules and reduced reliefs necessitate expert tax and estate planning guidance.

Recommended Actions

01 Review and update retirement and estate plans to reflect increased CGT rates and reduced exemptions.

02 Prioritize contributions to CGT-exempt accounts like ISAs and pensions.

03 Strategically plan asset disposals to maximize the use of available exemptions.

04 Evaluate business relief eligibility in light of tighter BADR limits.

05 Seek professional advice for optimized tax planning and compliance.

The 2025 UK CGT overhaul substantially affects retirement income strategies and wealth transfer plans. Proactive, informed approaches leveraging tax-advantaged vehicles and expert advice are essential to navigate these changes successfully and safeguard financial legacies.