



Inheritance Tax Relief (IHT) Changes following the October 2024 and November 2025 Budgets

Business Property Relief (BPR) and Agricultural Property Relief (APR) have long been some of the most valuable reliefs from IHT. For 30 years, business owners and farmers have enjoyed the benefits of these reliefs, enabling them to pass on their qualifying assets to the next generation effectively 100% free of IHT.

The changes announced in the October 2024 Budget will have a significant impact on how business owners and farmers plan for their future and succession. From 6 April 2026, the reliefs will be dramatically limited, both for individuals and for trusts.

We have received many enquiries over the last year from individuals looking for help and advice in dealing with the impact of the new regime. With the draft legislation for the changes now published, and following clarifications in the November 2025 Budget, in this special edition newsletter, we focus on how family businesses might seek to plan for these reforms.

Whilst the newsletter highlights the position of owners of family companies, we are conscious that the impact is equally acute for other business owners and, arguably more so, for farming families. The changes will undoubtedly increase complexity around planning for the future and, for many, result in an IHT charge when previously this would not have been the case.

However, the reliefs available are still valuable, and opportunities exist to maximise current benefits and put other estate planning strategies in place. The importance of taking early, personalised and expert advice cannot be underestimated.

This newsletter is intended for guidance only and should not be relied upon without obtaining professional advice relevant to your specific circumstances.

Please contact us if you wish to discuss the changes – and how they apply to you and your business – in more detail.



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Impact of the changes

BPR and APR have always been subject to certain restrictions, ownership requirements and exclusions. Despite these restrictions, the reliefs currently allow many qualifying businesses and farms to be passed to the next generation without a sizeable IHT liability due to the availability of unlimited 100% relief.

The key changes from 6 April 2026 are:

- 100% relief will be limited to £2.5 million (increased in line with the CPI from 6 April 2031) per individual for BPR and APR combined. The announcement to increase the 100% limit from £1 million to £2.5 million came unexpectedly in late December.
- Qualifying assets in excess of this value will benefit from unlimited 50% relief, effectively resulting in a 20% IHT rate.
- The balance of any unused 100% relief allowance can be transferred to a spouse on second death (following changes announced in the November 2025 Budget).
- Trusts established after 30 October 2024 can only benefit from a £2.5 million 100% relief allowance for each person who settles relievable assets of that value into a trust.

Assets used in a business, but held by owners personally, and farms with pre-1 September 1995 tenancies will continue to be subject to relief at a rate of 50%. Shares listed on the AIM market will also now be limited to 50% relief.

On Death

Individuals will now only be able to pass £2.5 million of qualifying assets free of IHT on their deaths. Careful structuring of Wills can increase this to £3.15 million if they also have 100% of their nil rate band available. Qualifying assets over that threshold will benefit from a 50% rate of relief.

Lifetime Gifting

Lifetime gifts of qualifying assets made after 30 October 2024 may be impacted by the new rules.

- If the donor dies before 6 April 2026, the new rules will not apply.
- If the donor dies after 5 April 2026 and within 7 years of the gift, the gift will be subject to the £2.5 million 100% relief cap with the balance above that only benefitting from a 50% relief rate.

A valuable opportunity to settle qualifying property of unlimited value into trust before 6 April 2026 with no charge on entry remains. After that, gifts of qualifying assets transferred to trusts will be capped at £3.15 million per person every seven years if an immediate charge to IHT is to be avoided.

Trusts

Trusts may pay an IHT charge of up to 6% every ten years on the value of trust assets held. A pro-rata charge applies between anniversaries on exits of trust capital. Currently APR and BPR assets are relieved at up to 100% on an unlimited amount.

From 6 April 2026:

- Trusts, holding qualifying assets, set up before 30 October 2024, will each have a £2.5 million 100% relief limit, regardless of how many trusts have been created by an individual. The balance of remaining qualifying assets will be relievable at a rate of 50%, effectively resulting in a maximum IHT rate of 3% on those assets. The limit on reliefs will not apply until a trust's first ten-year anniversary after 6 April 2026.
- Trusts established by the same settlor after 30 October 2024 will have a maximum combined 100% relief allowance of £2.5 million. The balance of any qualifying assets will be relievable at a rate of 50%.

What can be done?

Restrictions on the reliefs will have an adverse impact on many taxpayers but BPR and APR will continue to remain valuable. Qualifying assets will still reduce the IHT payable on a person's death and, although it may be of little comfort to many business owners, a 20% IHT rate is preferable to 40%.

Significant opportunities, both before and after 6 April 2026 will remain to mitigate IHT using BPR and APR.

Couples

- Married and unmarried couples should capture each individual's £2.5 million allowance by considering whether it is appropriate for each of them to hold at least £2.5 million of BPR/APR assets in their own name.
- Traditionally, married couples often leave all their assets to each other on the first death in order to benefit from IHT spouse exemption. The change announced in the November 2025 budget meaning that any unused portion of the 100% BPR/APR relief can now be transferred to a surviving spouse is welcome and sensible. However, there are still potential benefits to utilising the £2.5 million relief on first death, perhaps via a trust from which the surviving spouse can benefit from if needed. Wills should be reviewed and structured so that the £2.5 million allowance is utilised effectively.

Lifetime Gifting

- Individuals holding qualifying BPR/APR assets with values in excess of £2.5 million should consider putting in place a long-term gifting strategy to allow gifts which are survived by seven years to fall outside their chargeable estate on death. This may reduce or, potentially, eliminate any IHT liability on death.
- Gifting of company shares should be carefully planned and considered, as opportunities exist for fragmenting share ownership so that large discounts can be applied to valuations.

Lifetime Gifting into Trusts

- Where an individual wants to transfer value out of their estate for IHT purposes but still retain an element of control of the assets, trusts will remain a valuable tool. If you are contemplating using a trust for this purpose, you should consider doing so before 6 April 2026.
- Prior to 6 April 2026, unlimited relief on gifting qualifying assets into trust remains. Trusts set up between now and 6 April 2026 will be limited to £2.5 million 100% relief per individual for ongoing ten-year charges and exits of trust capital. However, an individual can still settle any amount into a trust and benefit from 100% BPR or APR, meaning no immediate charge will be made regardless of the value settled.
- From 6 April 2026, up to £3.15 million of qualifying BPR/APR property per individual can be transferred every 7 years with no immediate tax charge.

Now is the time to review

If your estate will be affected by the major reforms to BPR and APR, you should take the time to review your estate and succession plans today. There are opportunities to take action before the new rules come into force and afterwards.

Funding IHT

Even if everything possible has been done to maximise the available reliefs, there may still be some IHT due on death whereas prior to the changes there would have been none.

An IHT liability attributable to qualifying assets can be paid in annual instalments over a period of ten years. One piece of positive news is that HMRC will not charge interest on the outstanding IHT in relation to qualifying assets, as long as the instalments are paid on time.

Despite this, individuals whose estates do not have significant liquid assets will need to give careful thought to how the IHT liability will be funded on death. Trustees holding qualifying assets in excess of available 100% relief limits will also need to plan for how they will make payment of IHT when ten-year charges and exit charges arise.

There are no easy answers to this, but some strategies include:

Taking out life assurance to provide funds in trust for the beneficiaries to pay IHT

- Early planning is important, as life cover becomes more expensive as people get older.
- Policies should be written into trust to avoid the proceeds being subject to IHT on death.
- Term policies can be taken out to cover potential liabilities on lifetime gifts in the event that the donor does not survive seven years.

Funding from the family company itself

- Dividends/income paid from the business could be used but these would be subject to income tax, at up to 39.35% on dividends and 45% on other income.
- Loans could be made from the company. However, where loans are made to persons with certain interests in a company, this may trigger a corporation tax charge at 33.75% (or 35.75% from 6 April 2026) if not repaid within the relevant time frame.
- Other methods of extracting capital from the company, such as a share buy-back (potentially funded by Keyman insurance) or demerging assets for sale/refinancing could be considered. These options need very careful thought to avoid the proceeds being subject to higher rates of income tax rather than capital gains tax (which currently has a maximum rate of 24%).

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