

Inheritance Tax- Budget Change

Inheritance Tax ("IHT") is a tax on the value passing from one individual to another person (could be another individual, a trust or a company). This typically arises when an individual dies and all of the property; the deceased own passes to beneficiaries. This tax is levied on the net estate of an individual.

There are occasions when assets are transferred either during a person's lifetime (for example, trading company shares placed into a UK trust) or on death (such as shares in a trading company passing to the deceased's children). Under the current rules, the availability of Business Property Relief (BPR) means that the full value of those assets (provided certain conditions are met) may be exempt from Inheritance Tax.

Basically, BPR and Agricultural Property Relief ("APR") are reliefs that reduce or eliminate tax on certain business and farming assets when they are passed on, either during lifetime or on death. Currently, where BPR and APR apply at the 100% rate there is no restriction on the value that can be claimed.

From 6 April 2026 the 100% rate of relief will only apply to the first £1 million of combined agricultural and business property. Any value in excess of the limit will be relieved at the 50% rate.

Good news from this Budget: £1 million APR/BPR allowance at the 100% rate can now be transferred between spouses and civil partners.

This update could be highly beneficial for tax planning, whether during a taxpayer's lifetime or on death. To learn more, or to talk through any other tax concerns, we invite you to contact us today for a free consultation -email us aktaxconsultancy@outlook.com or call us at 0788 2818 565 or 020-3743-7309.

Disclaimer

This article is provided for general information purposes only. It is not intended to constitute, and should not be relied upon as, professional advice. The subject matter discussed — including BPR, APR, and related inheritance tax planning — is highly complex and subject to frequent legislative change.

Readers should seek independent professional advice before taking, or refraining from taking, any action based on the content of this article. Neither the author nor the firm accepts any responsibility or liability for decisions made, or actions taken, without appropriate professional guidance.

Tax outcomes will depend on individual circumstances, and the application of reliefs may vary depending on ownership structures, timing, and compliance with statutory conditions. Reliance solely on this article without tailored advice may result in unintended tax consequences.

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