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Industry Update | July 2025

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Intelligent Partnership

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The BR Universe today

Given the upcoming expansion of estates for IHT purposes with pensions coming back into scope from April 2027, the need to find a tax-efficient and easy access home for wealth is going to grow exponentially.

Despite the new limits on 100% IHT relief through Business Relief from April 2026, it remains a convenient and effective way for suitable investors to retain access to their money in later life at a time of soaring care fees, while also employing an IHT relief method (assuming they own the BR-qualifying shares at death).

The growing estate planning opportunity and need

Nevertheless, recent research suggests there is still not enough knowledge, awareness or willingness to take advantage of the benefits of Business Relief even in the context of growing interest in IHT planning. One Business Relief investment manager's analysis has found that, since the October 2024 Budget, 94% of advisers have seen a rise in clients asking about IHT planning, with 32% saying they have seen a substantial increase.

This advice area is increasingly important to advisory businesses, with the same manager finding that currently more than six out of ten (61%) of advisers and wealth managers estimate 20% or more of their business is accounted for by IHT planning and advice. Within three years more than eight out of ten (85%) estimate 20% or more of their business will be driven by IHT planning and advice and in the same period, nearly nine out of ten (88%) estimate 20% or more of their client base will have an IHT liability, with one in ten (10%) believing more than 40% will have an IHT liability.

Shifts in IHT planning underway

It's no surprise to hear that clients are most likely to be using trusts or gifting from income to mitigate IHT – 64% say advisers are using trusts and 63% gifting from income while a third (34%) are gifting lump sums. But only 12% are using Business Relief plans. Given rising estate values and higher IHT liabilities diversifying into Business Relief solutions alongside these planning methods could become increasingly integral to best outcomes.

The Lang Cat's 13th annual State of the Platform Nation report also confirms that advisers are reallocating client assets towards annuities, trusts and onshore bonds in the face of the imminent IHT reforms. In May 2025, Money Marketing quoted Rich Mayor, senior analyst at the Lang Cat and author of the report as saying, "as the financial advice landscape reshapes itself around fiscal policy and economic volatility, one thing is clear: agility and innovation are no longer optional for intermediated platforms. They're survival strategies."

Platform access restricting Business Relief usage?

That agility can certainly be ascribed to Business Relief, with its short minimum holding period (two years), replacement property provisions that allow shuffling of assets without restarting that clock, the assets remaining in the investor's name and the liquidity available. But, many mainstream platforms, still don't currently offer Business Relief products. Is this, ironically, restricting access to the capital access available through Business Relief? Of course, attitude to risk is important, although the FCA continues to bang the drum about rebalancing risk with more sensible, considered risk-taking.

Some see a huge opportunity for investment platforms to evolve with more sophisticated clients requiring a broader toolkit to optimise their tax position. Failure to adapt could well lead greater capital flows away from platforms as other solutions are progressively employed. According to Taylor Beavis, director of Universe Financial Advice, "while the risk profile and illiquidity of Business Relief investments makes them less suitable for every client, if BR products were readily available on all platforms, they would be easier to recommend." In the meantime, Business Relief investment managers will continue to offer the support and information that advisers need to comfortably and efficiently bring this powerful tax planning weapon into their arsenals.

Empowering the Grey Pound:
Complementary Investment Strategies in Retirement

By Mark Brownridge, Strategic Relations Director, Blackfinch

The UK's retired population is reshaping the economic landscape, holding over 75% of the nation's wealth and contributing nearly half of all household expenditure (ECI Partners). As retirees live longer, enjoy more active lifestyles, and pursue financial independence and legacy planning, the need for robust and responsive financial strategies has intensified. Additionally, with pension pots set to fall within the scope of inheritance tax (IHT) from 2027, understanding how to structure retirement wealth across Managed Portfolio Services (MPS) and tax-efficient investments is more important than ever.

> *Retirees are living longer, with average life expectancy at 65 now reaching 18.6 years for men and 21.1 years for women.*

THE RISE OF THE GREY POUND: A DEMOGRAPHIC AND ECONOMIC FORCE

***Retirees are living longer,** with average life expectancy at 65 now reaching 18.6 years for men and 21.1 years for women.*

(ONS)

*Individuals over 50 are responsible for approximately £320 billion in annual **household spending,** nearly half the UK total.*

(ECI Partners)

*By 2040, older consumers are expected to account for 63% of all UK **consumer spending.***

(ILC UK)

*Over-50s hold **more than 75%** of the UK's financial assets.*

(ECI Partners)

***Wellbeing peaks** in the 60–74 age bracket, with higher life satisfaction and happiness reported than in middle age.*

(ONS)

This demographic shift demands investment strategies that provide sustainable income, tax efficiency, and adaptability across decades.

Managed Portfolio Services: Core Stability and Professional Oversight

MPS forms the bedrock of a retiree's financial strategy by offering:

- **Diversified and risk-aligned portfolios** tailored to income needs.
- **Ongoing rebalancing and oversight,** reducing behavioural risks.
- **Transparent and cost-efficient** investment structures.

As shown by IFS research, retirees tend to maintain or even increase real-term spending through their 60s and 70s - for example, those born between 1939 and 1943 increased weekly spending from £245 at age 67 to £263 at age 75, adjusted for inflation (IFS). This makes MPS a valuable vehicle for consistent income delivery. However, while MPS addresses cash flow and preservation, it does not fully solve estate planning and tax mitigation challenges.

Tax Implications of MPS Withdrawals

As retirees begin to draw income from their MPS portfolios, the nature and timing of withdrawals have direct implications on their tax liabilities:

- **Capital Gains Tax (CGT):** Gains realised from non-ISA or non-pension investments within MPS are subject to CGT. The annual exemption has been gradually reduced and is expected to remain a constraint on larger portfolio withdrawals.
- **Dividend Tax:** Dividends received from equity holdings in general investment accounts may be taxable above the annual dividend allowance.
- **Income Tax on Bonds:** Interest from corporate or government bonds may also be taxed as income depending on portfolio structure.
- **Sequencing Withdrawals:** Tax efficiency can be eroded by poorly timed withdrawals across tax years, potentially pushing retirees into higher tax bands.

As pension savings begin to fall under IHT from 2027, careful tax planning around MPS withdrawals becomes even more critical. Without proper structuring, accessing funds from MPS may erode both post-tax income and the value of the estate passed to heirs.

Tax-Efficient Investments: Targeted Tools for Growth and Legacy

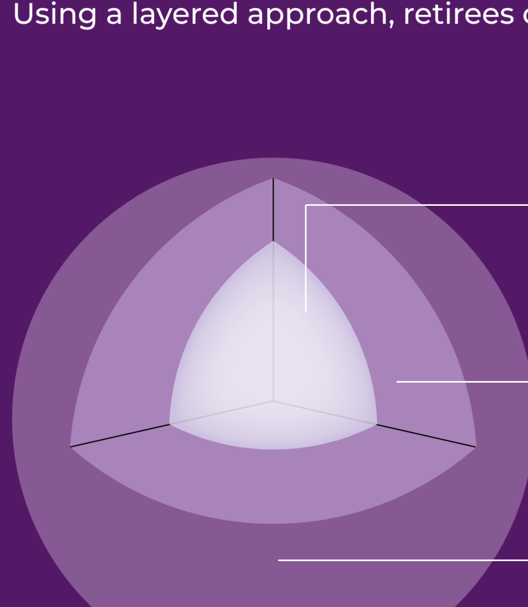
Tax-efficient investments offer a potent counterbalance to MPS withdrawal tax liabilities:

- Offsetting Income Tax: Both EIS and VCTs provide income tax relief - up to 30% of the investment value - which can reduce or neutralise the tax due on MPS withdrawals.
- Shielding from CGT: EIS and VCTs offer CGT advantages. EIS can defer CGT from other investments, while both EIS and VCTs allow for tax-free capital gains. In the case of EIS, this is where the Income Tax has been claimed and the EIS portfolio is held for a minimum of three years.
- Inheritance Tax Mitigation: BR-qualifying investments provide up to 100% relief from IHT after two years, offering a powerful strategy in light of the 2027 pension changes.

In effect, while MPS supports income stability, layering tax-efficient investments allows clients to reclaim tax reliefs and reduce exposure to CGT and IHT. This dynamic creates a mutually reinforcing strategy that supports both current cash flow and long-term legacy objectives.

A HOLISTIC FRAMEWORK: INTEGRATING INVESTMENT TYPES FOR RETIREE OUTCOMES

Using a layered approach, retirees can derive the best of all worlds:



FOUNDATION LAYER - MPS
Provides disciplined, diversified exposure and income alignment, forming the base of retirement funding.

INCOME ENHANCEMENT LAYER – VCTS
Delivers tax-free dividends to supplement lifestyle spending without eroding core capital.

GROWTH AND LEGACY LAYER – EIS AND BR
Drives high-growth potential and strategic IHT mitigation, with flexibility for intergenerational wealth transfer.

This structure mirrors the spending and longevity trends in today's retirement:

- Spending remains steady or rises until age 80 (IFS).
- Life satisfaction and wellbeing are highest in the 60–74 age group (ONS).
- Estate planning is an increasing priority with wealth concentrated in older demographics (ONS).

By integrating decumulation-sensitive asset allocation with tax mitigation strategies, advisers can create portfolios that evolve with clients' lives.

Practical Considerations and Suitability

LIQUIDITY AND RISK
VCTs and EIS are less liquid and higher risk than MPS; careful allocation is crucial.

REGULATORY COMPLIANCE
Advisers must align strategies with FCA suitability and advice standards.

CLIENT SEGMENTATION
Suitable for clients with sufficient core capital to tolerate illiquidity in exchange for tax benefits.

CLIENT ENGAGEMENT
Education and transparency are key to client understanding and confidence.

Conclusion

Retirees today are not merely preserving wealth - they are growing it, enjoying it, and planning its transfer. Managed Portfolio Services provide a reliable income and capital structure, while tax-efficient vehicles unlock growth and legacy advantages. With pensions becoming subject to inheritance tax from 2027, the case for integrating MPS with tax-advantaged solutions is stronger than ever. Supported by clear demographic and economic trends, this complementary strategy empowers advisers to meet the full spectrum of retiree objectives. By aligning MPS strategies with tax-efficient investments, financial planners can build enduring portfolios that deliver income, flexibility, and peace of mind throughout retirement and beyond.

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Business Relief back in Vogue

By Peter Steele, Retail Operations Director, Seneca Partners

It's certainly been busy since the Budget, with a significant increase in the number of enquiries we have received from financial advisers. The majority of these have fallen into three camps:

Firstly, there are those financial advisers who have historically recommended Business Relief solutions but had stopped doing so over the last couple of years due to confusion on how respective governments might act. (You'll remember the conjecture about the last Government scrapping Inheritance Tax altogether followed by the speculation that the current one might scrap Business Relief). Now that the dust has hopefully settled, these advisers are once again considering BR solutions as a part of their advice.

Second are those financial advisers who have historically recommended AIM portfolios as Business Relief solutions who are now considering moving clients into a private company investment. With those AIM portfolios only attracting 50% BR from next April, there's a lot of interest in utilising Replacement Property Relief, avoiding the need to 'serve' a fresh two year qualification period.

In the first part of this year, it became clearer to many that time is very much of the essence. Not everyone had picked up on the consequences of Section 107(2) of the Inheritance Tax Act, which states that Replacement Property Relief "shall not exceed what it would have been had the replacement or any one or more of the replacements not been made". This means that someone who moved their AIM portfolio on 6th April 2025 will have a 12 month window from April next year in which they might only get 50% BR, whereas someone who moves their portfolio on 6th October will have an 18 month window.

It is also important not to exit an AIM portfolio at the same time as everyone else. It could result in delays in accessing funds due to liquidity issues and also a depressed exit value, if more people are looking to sell those shares than buy them.

Finally, and more recently, we're also seeing a number of enquiries from advisers who, up until now, have not really considered Business Relief investments as a part of the advice they give.

This has mostly been driven by the upcoming changes to pensions, with IHT being applied from April 2027. Before those changes, many investors have left money in their pensions, preferring to cover their spending with money from other investments that would otherwise have been subject to IHT.

From April 2027, if the pension holder dies at age 75 or older, these changes could mean that some pension pots are 'double-taxed' because the beneficiary could also be charged income tax at their marginal rate as they withdraw funds from the pension that has already been subject to IHT.

Including a pension pot within an estate may also push the value of that estate to over £2m. Should that be the case, the Residence Nil-Rate Band (RNRB) of up to £175,000 will be reduced by £1 for every £2 the estate is over that limit.

It is no surprise that some investors are looking for ways to withdraw money from their pensions, with the aim of reducing the value of their estate that would be subject to Inheritance Tax.

The pensions discussions have been most interesting. The number of times I've heard advisers and investors express the worry that the Government may well introduce a much lower cap on how much tax free cash can be taken is only beaten by the broader and somewhat more indignant "they're going to tax my pension".

Not everyone wants to lose access to their tax-free cash, either by giving it away or putting it into trust. Obviously, any withdrawals that are not a part of their tax free cash will be subject to income tax and, in any case, gifting the money means a loss of control (and of course they have to live 7 years to avoid IHT on the gift completely).

They also don't want to spend it: "I've got everything I need anyway". Discussions often end up on how someone may access their tax free cash (whilst they still can?), make it 'nil rated' for IHT and still have it available to them in case of need.

> *We're also seeing a number of enquiries from advisers who, up until now, have not really considered Business Relief investments as a part of the advice they give.*

Most of the enquiries we are seeing are where advisers are looking to move tax free cash into a private company BR investment. In these cases, no income tax is paid on the withdrawal, and the investment should qualify for 100% BR after two years (if a part of the client's £1m allowance).

The trouble is, if you leave it until 6th April 2027 to act, it will take until 6th April 2029 to have that tax free cash 'nil rated' for IHT. If you act before then, you create an IHT liability for a period of time that did not previously exist. The timing of making such an investment will depend on the client's attitude to their own mortality!

Of course, if you use a provider that offers periodic rights issues, you can effectively shorten the time it takes to get that tax free cash 'nil rated' for IHT whilst significantly reducing the amount of that short term IHT liability. No one can guarantee that an investee company will undertake a rights issue or when it will do so but by definition, only existing shareholders can exercise them. My team has a case study with working examples that we can share with anyone looking to better understand this point. It's certainly worth looking at and may inform a client's view on the timing of making their first investment into a BR solution.

Of course, that's only a quarter of most pensions. Whilst moving tax free cash into an unquoted BR investment should offer IHT benefits without losing access to that tax free cash, in most cases it will make little sense to utilise taxable cash from a pension in the same way, particularly as a higher or additional rate taxpayer. The question is why pay 40% income tax to avoid 40% Inheritance Tax?

Some have then considered whether EIS investment might be a suitable home for taxable cash withdrawn from a pension. Yes, it can reduce the overall tax bill further (income tax relief), but the risks need to be carefully considered (and speaking as someone who works for an EIS provider, I'm not sure that someone who has spent 40+ years building a pension pot would want to risk a significant portion of it on what are high risk, illiquid investments). We have seen reports of an increase in the number of annuities being purchased and I can understand why that might be considered a more appropriate home for taxable pension withdrawals. Other solutions are no doubt available.

Benjamin Franklin said that "there are only two things certain in life" and one of those is taxes. My personal observation is that most of us are going to pay more tax, one way or another. The only thing we can decide is which tax or taxes we prefer to pay more of!

If you'd like to discuss what you might do to assist your clients who are concerned about the IHT their estates could pay on their pensions, please don't hesitate to get in touch.

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For professional advisers and paraplanners only. Not to be relied upon by retail clients.

Re-thinking the order of estate planning from April 2027

By Toyin Oyeneyin, Tax Product Specialist, Octopus Investments

From 6 April 2027, pensions will be included within the estate of a deceased individual, marking a significant shift in how pensions will be used for estate planning moving forward.

Historically, pensions were not only a core part of retirement planning but have offered a tax-efficient way to pass on wealth.Until the Autumn 2024 Budget, where key changes were announced, clients were often encouraged to draw down on other assets first, preserving their pensions as long as possible to take advantage of the favourable Inheritance Tax (IHT) treatment. With this advantage set to disappear on 6 April 2027, the traditional advice to "touch pensions last" for clients in decumulation may no longer apply, prompting advisers to re-assess long term strategies.

It's those still in the accumulation stage — typically in their 30s, 40s and 50s — who are having to reconsider how and where they build their wealth.

Approaching estate planning during accumulation

While those in the decumulation phase are now revisiting their drawdown strategies, it's those still in the accumulation stage – typically in their 30s, 40s, and 50s – who are having to reconsider how and where they build their wealth.

For clients in accumulation, pensions remain an attractive option due to the upfront income tax relief and the benefits for retirement income planning. However, the looming IHT charge on death means that pensions may no longer be the go-to default for storing long-term, intergenerational wealth. Clients may now be more likely to diversify their contributions across a range of options that offer both tax efficiency and greater flexibility in estate planning.

This is presenting new tax planning opportunities for advisers, who now need to rethink the order of estate planning and consider a client's estate planning much earlier than before.

Alternative tax-efficient strategies

Individual Savings Accounts (ISAs) currently remain as an excellent complement to pensions in a retirement strategy offering tax-free income and growth. Though ISAs do not provide tax relief on investment, they offer tax-free income and growth on investments in the portfolio. And as they provide the ability to access funds it makes them incredibly versatile.

Furthermore, Venture Capital Trusts (VCTs) are continuing to become a more mainstream part of investing for clients who are comfortable with the risks associated with the asset class.

Often viewed as complementary to pensions, VCTs offer appealing tax advantages, including income tax relief on investments, tax-free dividends, an exemption from capital gains tax on shares should they rise in value. However, it's important to note that VCTs are high risk investments, as they typically involve early-stage companies, and returns and reliefs are not guaranteed.

Crucially, both ISAs and VCTs fall within the estate for IHT purposes, which will be similar to pensions post-April 2027.

Access, control and IHT savings

A possible alternative that could tick more of the boxes for a client's estate planning is Business Relief (BR) investments, with more advisers showing increased interest for more specialist IHT solutions.

BR-qualifying investments, such as shares in private trading businesses or shares in certain AIM-listed companies (which can also be held in an ISA), can offer IHT relief after two years of ownership. On 6 April 2026, a £1 million Individual Business Relief Allowance will be introduced applying to unlisted BR investments and agricultural property. Amounts up to that allowance are free from inheritance tax, making them an appealing option for clients with larger estates. Qualifying investments above this allowance attract relief at 50%. Qualifying AIM-listed shares do not qualify for the £1m allowance but do attract inheritance tax relief at 50%.

With pensions included in estates for IHT purposes from 6 April 2027, the number of clients needing to revisit or establish estate plans in order to mitigate IHT is set to increase. For suitable investors, Business Relief (BR) can play a valuable role in those strategies and is now forming a much larger part of the estate planning conversation.

BR RISKS TO CONSIDER

- It's important to remember that BR-qualifying investments are high risk, so clients must be comfortable with the associated risks. Their value, and any income from it, can fall or rise. They may not get back the full amount they invest.
- Tax relief is subject to the invested companies maintaining their BR-qualifying status. Tax treatment depends on individual circumstances which could change in the future.

Supporting advisers through complex change

With tax legislation evolving and client needs becoming more nuanced, more advisers are drawing on specialist expertise for extra support that is now needed to help aid conversations and add value to client relationships. At Octopus, we recognise this growing need and have developed a range of services to help. Whether it's through our intergenerational planning team, the Ask Octopus help desk for estate planning queries, or wider resources like webinars and technical content, we're here to support the journey. For guidance on this or any other technical aspects of estate planning, please visit our free helpdesk: **https://octopusinvestments.com/ask-octopus/**

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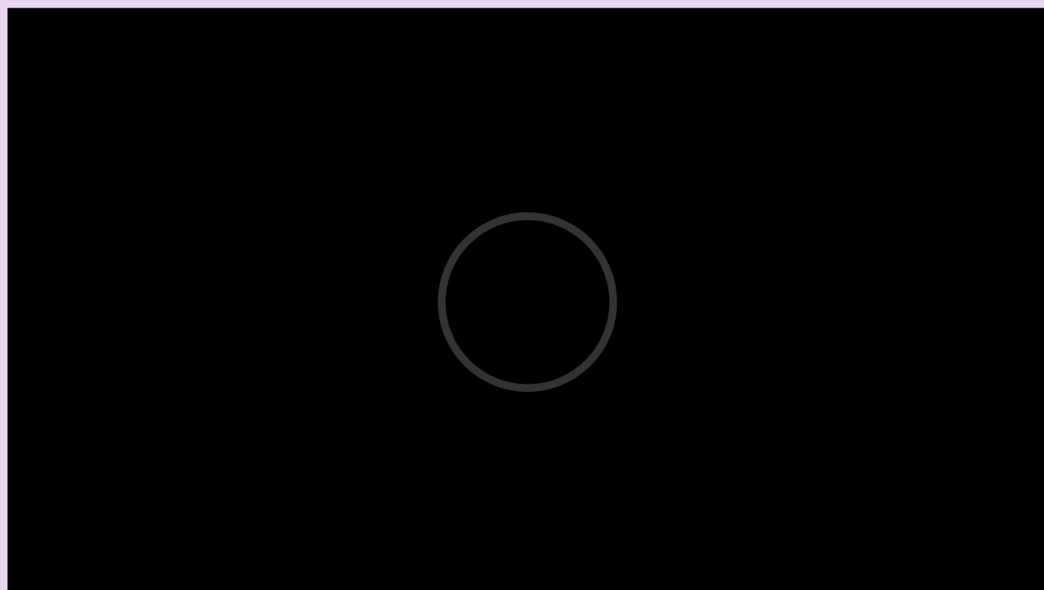
Differentiated Business Relief

Stellar Asset Management



JONATHAN GAIN
Chief Investment Officer
Stellar Asset Management

In this video, Jonathan Gain, Chief Investment Officer and CEO at Stellar Asset Management, discusses differentiated Business Relief (unquoted) offerings against the backdrop of changes announced at the 2024 Autumn Statement. The need to diversify provider approaches, cut manager specific and asset/sector risk and protect against future rule change.

KEY POINTS FOR CONSIDERATION - ASSET-BACKED BUSINESS RELIEF	
NEGATIVES AND POSITIVES	• Contradictions with a Government supposedly pursuing a growth agenda • Certitude and raised awareness of BR brings opportunities across estate planning • Huge opportunity for Asset Backed BR. Differentiation, key - style, strategy, structure
STYLE	• Supporting real businesses doing real things in active positions. Investing equity to grow those businesses, not just lending • Building better return profiles, not just tax reliefs, by accepting the slightly increased risk/volatility that comes with long term, active management of growing companies
STRATEGY	• TopCo arrangement: heavily convicted into a particular sector, albeit diversified with multiple assets in that sector, and balanced by a diversified blend of other sectors in a barbell approach. Blend and size of assets to assist liquidity. Focused on optimising risk adjusted returns. No performance capping • Family Trading Company arrangement: standard DFM modelling around a central asset allocation spine. Highly individual in nature, can be bespoke allowing for sector preferences to be exercised. Concentrated asset allocation. Blend and size of assets to assist liquidity. Focused on individuality, flexibility and beneficiary engagement. No performance capping.
STRUCTURE	• Standard “TopCo” structure albeit one more robust to rule change than many • A Family Trading Company Service establishing individual companies for each investor, allowing engagement in the investment strategy, promoting a sense of asset ownership in a tailored legacy creation journey, reducing need for immediate liquidity and optimising asset exit. Structure allows for unprecedented flexibility, “top up” ability without restarting 2 year BR clock and future rule change protection

THE FUTURE

- Substantial uptick in interest in Asset Backed business relief, not just from farmers!
- Concerns about money being deployed too quickly into assets as BR schemes react to flood of cash
- Liquidity and performance and subsequent reputation concerns, particularly in larger providers
- The need for reframing risk/return in light of the sacrifice of return for immediate liquidity
- Capping returns is unacceptable for a service that attracts valuable tax relief for taking some risk with associated upside potential
- Working with financial advisers and engaging with beneficiaries will be absolutely key to achieving intergenerational IHT mitigation and optimising outcomes

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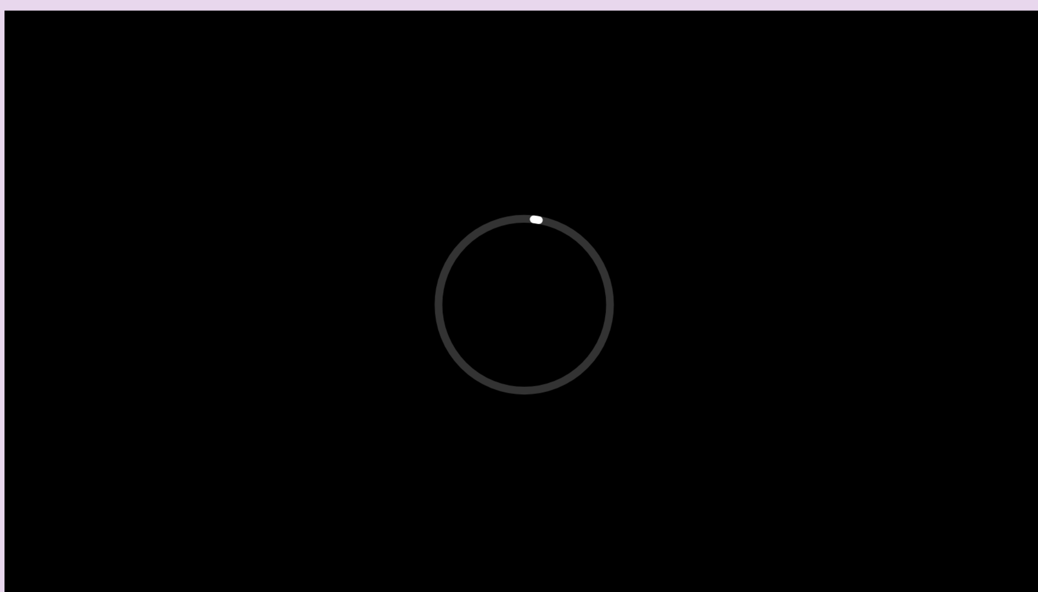
Assessing the ongoing AIM opportunity

Stellar Asset Management



STEPHEN ENGLISH
Investment Manager and Head of AIM
Stellar Asset Management

In this video, Stephen English, investment manager and Head of AIM at Stellar Asset Management, discusses UK small caps and AIM in the current context since the changes announced at the Autumn Statement of 2024.

KEY POINTS FOR CONSIDERATION	
UK SMALL CAP OUTLOOK	• Global uncertainty, changed perceptions and growing "once in a generation" opportunity for the UK and UK small cap • Rotation out of US stocks, transformative • Cheap valuations, portfolio at a 29% discount to long term average valuation • Alignment of fundamentals and flows - flows move prices • Cash isn't riskless
AIM	• Still has a vital role to play in overall IHT mitigation, particularly as part of a holistic solution • Foundations now potentially in place structurally for a bull market in the medium and over the long term • Substantial opportunity exists in the sub-£250 million market cap. • Concerns that Advisers may be selling a known tax risk (AIM) for a potentially unknown one in Asset Backed, particularly the structures deliberately designed to take minimal capital risk, "not in the spirit of the rules", that could be vulnerable to future rule change due to a lack of "risk to capital" • Pension assets driving AIM investment amongst government push for individuals and the wider economy to take a higher risk profile. • Portfolio positioning and performance

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Exposed: The real cost of IHT changes

By Ingenious Group

IHT payers set to double in number; what can be done?

Inheritance tax has always been controversial and provokes heated debate, but it has traditionally formed only a very small portion of UK tax revenue. In 2023/24, IHT raised approximately £7.5bn of tax revenue. Total receipts for HMRC in that year were £843.3bn, so IHT contributed just 0.9% of all tax revenue[1]. However, changes announced in the October 2024 budget are set to double the number of estates with an IHT liability and direct experience of its complexities to almost one in ten[2].

However, the Office for Budget Responsibility has confirmed that the average tax bill for taxpaying estates will remain roughly constant. So, the reality is that tens of thousands of individuals will be drawn into the IHT net across the next two years, during which, changes to Business Relief and pensions will significantly swell the value of their IHT-liable estates.

Adjusted planning can make a difference

The statistics suggest that some will pay, while others will plan (or should that be – replan – because, for the best outcomes, some plans will need to be unpicked). But, there are steps that advisers and individuals can take to minimise the impact of the soon-to-be-imposed new rules.

Let's take a look at how changes to Business Relief, and those to pensions in particular, could affect current planning: The key changes are the introduction of a £1m limit per estate of combined Agricultural and Business Relief for 100% IHT relief, with excess holdings over £1m benefitting from only 50% IHT relief, and shares designated as "not listed" on recognised stock exchanges, such as AIM, having their 100% IHT relief cut to 50% from April 2026.

Nevertheless, it's the inclusion of unused pension capital within the estate for IHT purposes from April 2027 that is likely to do most to bring those who have been happily filling up their pensions, whether they need it for their retirement or not, knowing it was not exposed to IHT, within reach of the tax.

> *There is clearly work to do to analyse the difference between what individuals are holding in their pensions versus what they will actually need in their retirement. It is not just a case of withdrawing the relevant excess (whether tax-free or not). If the cash simply sits, unspent, in the estate until death, the same outcome will prevail; it will be subject to IHT at 40%.*

CASE STUDY

Lucy is a widow who has inherited her late husband's allowances. Therefore, she has:

- Her Nil Rate Band £325,000 + her husband's full Nil Rate Band £325,000
- Her Residents Nil Rate Band £175,000 + her husband's Resident Nil Rate Band £175,000

Giving her the full £1 million of allowances available to her estate.

Lucy's assets are:

Family Home: £750,000

ISA: £200,000 of which £100,000 is currently in AIM stocks over 2 years old

General Investment Account: £50,000

Pension in drawdown: £500,000

Bank Account: £20,000

This gives her a total asset value of £1,520,000

Death before April 2026

If Lucy were to pass away prior to the rules changes in April 2026, her position would be:

Assets	Value	IHT position of assets
House	£750,000	Potentially exposed to IHT
ISA (of which £100,000 in AIM)	£200,000	As held for 2 years 100% IHT relief applies to £100,000 leaving £100,000 potentially exposed to IHT
GIA	£50,000	Potentially exposed to IHT
Pension	£500,000	Outside of the estate
Bank Account	£20,000	Potentially exposed to IHT
Asset total potentially exposed to IHT	£1,520,000	£920,000
Allowances		
Nil Rate Band		-£650,000
RNRB		-£350,000
Value liable to IHT		£0

As a result of the 100% business relief that applies to her AIM holdings in the ISA, and her pension being outside the scope of IHT, there is no IHT to pay once the RNRB and Nil Rate Band are applied.

Death post April 2026

Fast-forward to post-April 2026, when the proposed changes to Business & Agricultural Relief come into effect, and AIM shares will no longer benefit from 100% Business Relief, but be subject to a 50% reduction. As a result, 50% of the AIM BR qualifying shares value is potentially exposed to IHT as part of the estate, taking her asset total that is potentially exposed to IHT to £970,000.

However, there is still no IHT to pay in this example, given the available allowances.

Fast, Fast Forward to April 2027….

The Pension is now in scope for IHT, taking the asset total potentially exposed to IHT up to £1,470,000. The RNRB and Nil Rate Band reduce the amount to £470,000, which generates a £188,000 IHT liability (40% of £470,000).

Lucy's becomes one of the estates now falling within the charge to IHT.

Planning adjustments

There is clearly work to do to analyse the difference between what individuals are holding in their pensions versus what they will actually need in their retirement. It is not just a case of withdrawing the relevant excess (whether tax-free or not). If the cash simply sits, unspent, in the estate until death, the same outcome will prevail; it will be subject to IHT at 40%.

The individual could, of course, gift away the cash they don't think they'll need. However, with care costs continuing to soar and the cost of living not far behind, losing control of money given away is a worrying prospect. This is why specialist Business Relief investment managers like Ingenious have experienced a significant uptick in interest in Business Relief qualifying investments since the latest budget was presented, despite the new £1m 100% IHT relief threshold. There are a range of reasons for that, including that the vast majority of those investing in Business Relief qualifying assets do not exceed £1m. Replacement relief may also accommodate the possibility of moving from an AIM -based IHT solution to a private companies-based solution that will most likely benefit from 100% IHT relief (up to £1m), although this will of course need to be carefully considered.

Even though there is a two-year period before the BR shares qualify for IHT relief, it is significantly less than the seven years for which individuals must outlive gifts to benefit from 100% IHT relief. To address the potential risk during the two-year qualifying period, some BR investment managers may offer IHT cover that provides protection if the investor dies within the two-year qualifying period, subject to eligibility criteria.

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[1] https://www.nao.org.uk/wp-content/uploads/2024/11/hm-revenue-customs-overview-2023-24.pdf

[2] OBR, Economic and Fiscal Outlook October 2024, https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_Oct_2024.pdf

Conversations with the Investment Manager: TIME Investments

TOM MULLARD
Busines Line Director (tax)
TIME Investments

In this video, Tom Mullard, Business Line Director (Tax) at TIME Investments, provides an update on the changing landscape of Business Relief, Inheritance Tax (IHT) and estate planning advice since the changes announced at the 2024 Autumn Statement.

KEY POINTS FOR CONSIDERATION

IMPACT – UNQUOTED BR SHARES	• Initial limited impact on a majority of clients as a couple's individual BR allowances (£1 million each from April 2026) and other nil rate bands allow for £3 million of assets before IHT is applied, so anyone with Estates below this may not be affected straight away. • Need to review joint BR holdings to maximise relief in light of the £1 million BR allowances not being transferable. • New pension rules from April 2026 will draw many more into having an inheritance tax liability and BR could be an effective mitigation route, particularly for those who have not used BR before. • With BR, it will be possible under the new rules to put £1.65 million into trust every seven years and to avoid the 20% charge on the way in.
OTHER FACTORS IMPACTING BUSINESS RELIEF	• Interest rates have continued to remain high. • Fluctuating energy prices. • Tariffs, market uncertainty and how it affects the government bond yields and investment valuations.
APPROACHES TO MANAGE AND CAPITALISE ON THESE FACTORS	• Reducing risk as much as possible by controlling all the controllables to generate consistency and limit downside through seeking stability rather than volatility and protecting returns.
IMPACTS – AIM	• Consistent challenges. • Positives starting to emerge amid a pause for assessment. • Potential for AIM over a longer investment horizon, with full risk understanding and return to performance benchmarks of 10 - 15 years ago to mitigate 50% loss in BR qualification. • New offerings coming to market to challenge AIM BR, seeking higher returns from unquoted investments. Due diligence needed to reflect a higher risk profile.

Please note filming took place in June 2025, prior to the above mentioned legislation being published.

USEFUL TOOLS

Recently updated time IHT calculator that takes account of the new rules:

Inheritance Tax (IHT) Calculator - TIME Investments

This is our understanding from the current information available and we expect the Government to release more information in due course.

Important Information
TIME Investments is the trading name of Alpha Real Property Investment Advisers LLP, with its registered office at 338 Euston Road, London NW1 3BG. TIME Investments is authorised and regulated by the Financial Conduct Authority, under FCA number 534723.

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