



# BUSINESS RELIEF



## The BR Universe today

*Intelligent Partnership*

**Real Estate 2026: Trends to watch, challenges to tackle, opportunities to seize**

*Ingenious Investments*

**The November 2025 Budget and what it means for our clients**

*TIME Investments*

## The corporate advice opportunity hiding in plain sight

*Blackfinch Investments*

**Clients looking to invest their tax-free pension lump sum to reduce inheritance tax**

*Octopus Management*

**Caught between a rock and a hard place?**

*Seneca Partners*

## The morning after the night before

*Seneca Partners*

**Act in haste, repent in displeasure?**

*Stellar Asset Management*

# The BR universe today

Welcome to our first Business Relief update of the year. Just when we thought the new Business Relief rules were set in stone before their April 2026 implementation, two more important, but positive changes were made in November and December last year.

First, at the budget of November 26, the chancellor announced that, contrary to all previous statements since the budget of October 30, 2024, the combined cap on 100% Business Relief and Agricultural Property Relief, would be transferable on death between spouses. Additionally, if the first death was before 6 April 2026, it will be assumed the entirety of the allowance will be available for transfer to the surviving spouse or civil partner.

Then, on the afternoon of December 23, the industry was given just a day's notice before the Christmas break that the allowance, previously set at £1 million is to be increased to £2.5 million for both individuals and trusts. This is evidence of the strength of the farming and business lobbies and will reduce the number of negatively impacted estates, leaving only the largest estates in that position.



Although welcome, these changes could also present advisers who have already made estate planning adjustments based on information that is now incorrect, with more work to potentially reverse some or all of those modifications. This likely means more costs now for clients, but should lead to improvements to their legacies. Unfortunately, though, some families may have made “irreversible decisions” based on the earlier, harsher proposals, particularly where gifting or selling assets is concerned.

These last-minute revisions are also indicative of a confusing landscape of evolving regulatory change. It sews once again the seeds of uncertainty, especially as some commentators continue to speculate that the proposed 50% cut in BR for AIM shares will not proceed.

Nevertheless, while reducing IHT exposure and the urgency of transferring assets or hastening succession, the latest reforms do nothing to reduce complexity. As a result, the adviser's role will still be more strategic than in the past because:

- ➔ A two-tier relief which can be transferred by spouses requires more modelling of potential scenarios, including where a spouse or civil partner has already died.
- ➔ Transferability rules that interact with timing of death, prior use of relief, current will structures and historic claims introduce multiple potential new ramifications
- ➔ Higher complexity pushes up adviser value — especially for clients with mixed estates (farmland + trading business + AIM + property).

So, advisers should expect renewed interest in succession planning, shareholder agreements, and family governance. For some clients, immediate tax pressure will be reduced as they fall back below the IHT exposure threshold and continue to qualify for 100% Business Relief. But the need for earlier estate planning will persist as unused pensions represent a sudden increase in IHT-liable estate values from April 2027 and the BR allowance refresh every seven years for individuals and every ten years for trusts represents a method to create IHT efficiency for multiple cohorts of assets with a value of up to £2.5 million each.

For others who are asset-rich but cash-poor (especially farmers) liquidity challenges on assets that spill over into the 50% BR band may be lower, but still need consideration. What's more, long-term asset growth will still need to be monitored, even if it will take longer to push estates over the higher £2.5m threshold.

For more on what you should be aware of in this shifting context, this update takes a look at Business Relief in 2026 with expert views from those in the know about making the most out of it in your estate planning proposition moving forward.

# The corporate advice opportunity hiding in plain sight

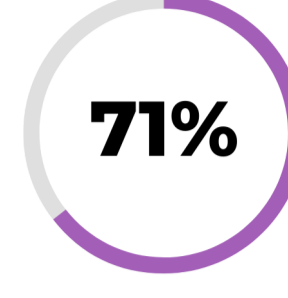
By Alex Sumner, Chief of Staff at Blackfinch Group

*Building strong client relationships will always be a top priority for financial advisers. However, finding new client streams can be another challenge entirely.*

Referrals and personal connections are often the go-to – and with good reason. But what happens when you're ready to grow beyond your existing network?

The corporate advice market can sometimes be an overlooked opportunity in financial planning. Many advisers haven't stepped into it – and those who have may have found the door hard to push open.

But corporate teams are looking for trusted support for their business. They want partners who can provide practical solutions that improve employee financial wellbeing. Advisers who can offer this kind of value won't just win business – they'll build long-lasting relationships that benefit everyone involved.



## INSUFFICIENT RETIREMENT SAVINGS

Say inadequate pension savings are a major risk to financial wellbeing.



## FOCUS ON PRE-RETIREMENT SUPPORT

Plan to offer pre-retirement planning to support financial wellbeing.

Research from REBA (Reward and Employee Benefits Association) 2024. 236 employees responded. 1.3 million employees represented.

## » WHAT'S CHANGED?

The environment that people are trying to make long-term financial decisions in is constantly changing. Rising costs, longer lives and changes to pension rules have made financial confidence harder to maintain.

Since auto-enrolment was introduced in 2012, most employers adopted schemes that were designed to be simple and easy to administer. But more than a decade on, many of those arrangements have never been reviewed.

And the stakes are high. Over 14 million people in the

UK aren't saving enough for retirement according to the Department for Work and Pensions\* - a quiet crisis that employers are starting to confront.

Tools like Thrive, part of Blackfinch Group, give advisers a practical way to review existing pension arrangements and support employers in modernising their financial wellbeing approach, offering guidance that's timely, relevant and genuinely valued. This offers advisers an opportunity to commercialise corporate client relationships in a way that may not be possible without the partnership with Thrive.



## Empowering HR through adviser expertise

In many organisations, the responsibility for managing the workplace pension sits with HR - whether that's an internal people manager or an outsourced HR partner. It's a natural fit within the wider people strategy, but it also places HR in charge of what is likely to be the longest-held financial product employees will ever own.

HR teams excel at supporting people. But pensions come with layers of financial complexity that fall outside their training and regulatory framework. As employees become more engaged and ask more detailed questions, HR are increasingly being asked to navigate decisions they were never expected to specialise in.

This is where advisers can add meaningful value. By partnering with employers, advisers can help review scheme suitability, shape contribution strategies, and provide clear, accessible financial education that complements HR's role and strengthens the overall employee experience.

Thrive makes those partnerships easier to start – and easier to scale. It offers advisers a structured way to assess pension arrangements, spark informed conversations with decision-makers, and deliver ongoing support without being burdened by admin. Thrive handles onboarding, payroll integration and employee communications, allowing advisers to stay focused on high-value advice.

## Retirement won't fund itself – and employees know it

In the past, many employees could rely on generous defined benefit (DB) pensions, specifically final salary pensions, to fund their retirement. However, as these have gradually given way to defined contribution (DC) schemes, that confidence has disappeared – and employees are now feeling the shift.

Today, fewer than 900,000 private sector employees are still actively accruing DB benefits. Meanwhile, over 10 million people are now actively saving into trust-based DC workplace pensions.

This means younger employees are entering the workforce without the expectation that retirement will "take care of itself." They understand, often with growing unease, that their financial outcomes depend on how they manage their own finances.

Yet in most workplaces, meaningful engagement with pensions still tends to happen late, often only when people are approaching retirement. This delayed attention doesn't reflect a lack of interest; it reflects the complexity and emotional distance of a topic that feels both important and overwhelming.

Many employers are choosing to offer deeper financial support, not because they're required to, but because it strengthens wellbeing, retention and trust. Guidance, education and access to expertise are becoming valuable benefits that help employees feel more confident about their future. Thrive is designed to support this shift, giving employees an accessible way to engage with financial coaching and request advice when they need it.

For advisers, this creates a natural opportunity to partner with corporate clients and provide specialist insight that they may not be able to deliver on their own.

*Building strong client relationships will always be a top priority for financial advisers. However, finding new client streams can be another challenge entirely.*

## Making advice accessible – and commercially viable

What begins as a HR business decision around pensions and benefits quickly becomes personal – influencing the financial futures of every employee, from new starters to those nearing retirement.

Despite being such an important and complex decision, most are navigating it alone. Fewer than 10% of people currently receive financial advice\*\* – often because of cost, or the belief they haven't saved enough to justify it. The result is a growing gap between those who need support and those who can access it.

However, the Advice-Guidance Boundary Review (AGBR) and targeted support are set to unlock a more flexible, tiered model of support. It will allow advisers to offer:

- Coaching for early-career savers
- Guidance for mid-career employees
- Full advice for those with complex needs

This creates a genuinely scalable model for workplace support - one that aligns employee needs with advisers' commercial realities.

Here, Thrive becomes a powerful enabler. It provides a simple digital route that connects advisers, employers and employees in one place. Pensions, benefits, financial coaching and access to regulated advice sit side by side in a format that's engaging for employees and efficient for advisers.

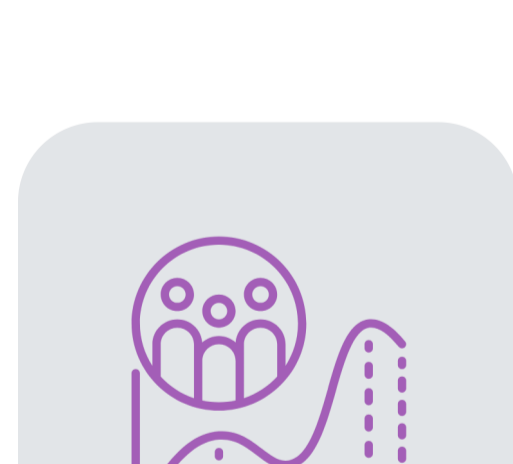
For employers, it becomes an easy way to offer meaningful financial support.

For advisers, it becomes an efficient, scalable, and high-impact way to deliver value at scale and build a future pipeline of clients.

One employer relationship can now unlock dozens, sometimes hundreds, of individual touch points, allowing advisers to build their own future pipeline of clients.

## THREE BIG REASONS TO ACT NOW

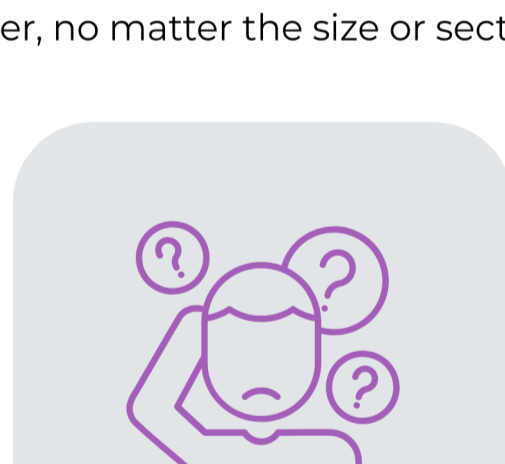
Every employer, no matter the size or sector, is facing:



#1

### An ageing population

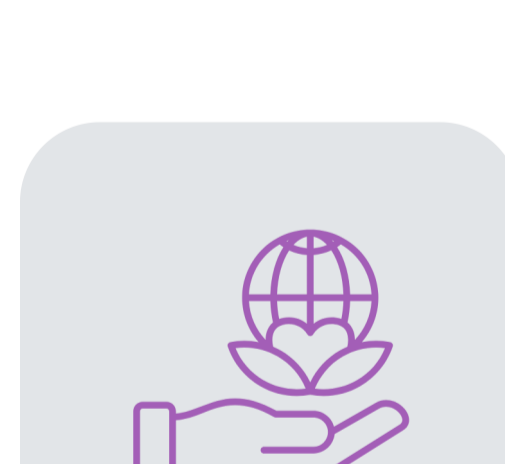
People are living and working for longer and many are worried that their pensions won't keep up.



#2

### Low financial literacy

Engagement is high, but understanding is low. And HR teams shouldn't be expected to answer every question.



#3

### Board-level wellbeing goals

Financial wellbeing has moved from a HR initiative to an organisational priority, as evidence points around its impact on productivity, absence, and retention.

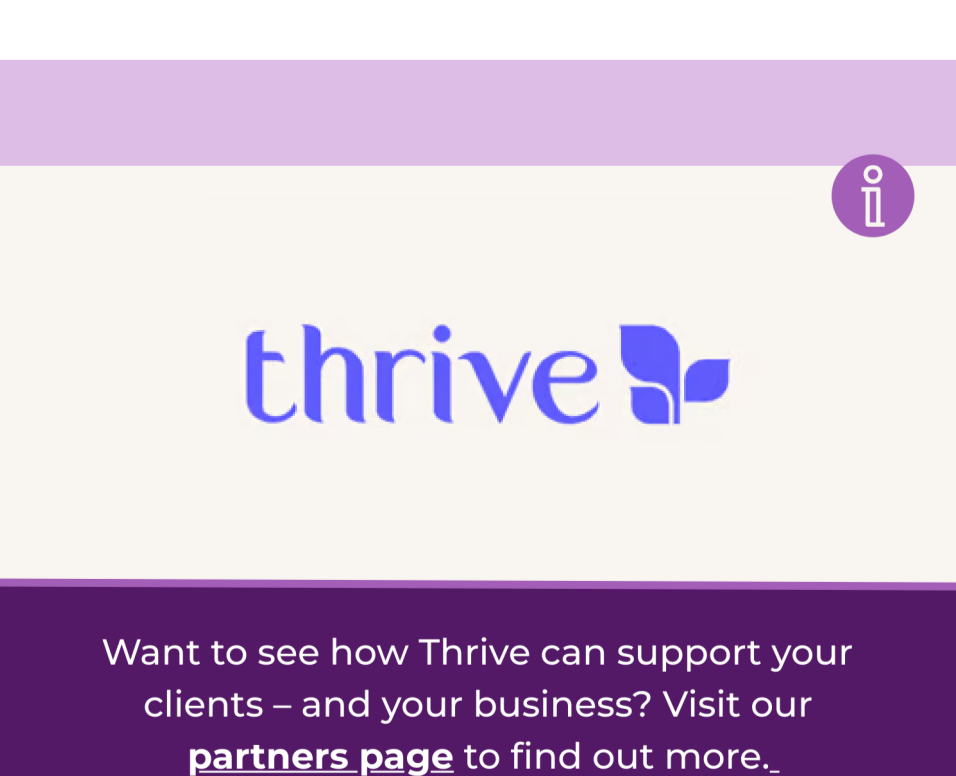
Together, these forces create a clear opening for advisers. Not for a one-off scheme review, but for an ongoing approach that helps businesses strengthen their workforce and gives employees a clearer sense of control over their financial future.

## » The opportunity for advisers

The corporate market presents an opportunity to access one of the most scalable routes to growth for today's advice firms. It offers a route to engaged employers, real client volume, and the chance to deliver meaningful support where it's needed most.

With Thrive, advisers don't need to do the heavy lifting. Our team takes care of setup, onboarding, and communications – all to a consistently high standard.

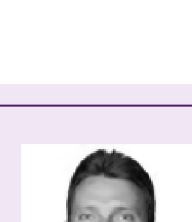
With the right approach, advisers can build lasting partnerships that drive value for businesses, empower employees, and transform their own firms in the process



<https://mythrive.co.uk/>

\* <https://www.gov.uk/government/statistics/analysis-of-future-pension-incomes-2025/analysis-of-future-pension-incomes-2025>

\*\* <https://www.fca.org.uk/news/press-releases/more-people-have-bank-accounts-one-ten-have-no-cash-savings#:~:text=Notes%20to%20editors,how%20much%20they%20have%20saved.>



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# The morning after the night before

By Peter Steele, Retail Operations Director, Seneca Partners

I am writing this on the morning of Thursday 27 November, having spent yesterday afternoon reading the 152 pages of **Budget 2025: Strong Foundations, Secure Future**, downloaded from the Government's website, and yesterday evening listening to and reading commentary from a variety of sources.

I try to avoid getting into politics publicly, but my overriding feeling is that there were a lot of rumours and hints beforehand (many of which were unhelpful) that gave the impression that the tax rises and changes were going to be a lot worse than what we actually saw.

Like many, I will end up paying more tax than I have been, but I am in the fortunate position that I can manage. Many can't. For example, I am going to pay more NI due to the changes in paying into my pension via salary sacrifice (from 2029). I also drive an electric car, and the new Electric Vehicle Excise Duty will cost me around £400 a year (from April 2028). I am in a far better position to pay that extra tax and NI than my stepdaughter is. She has a young child and is just starting her own business. (I realise she would pay the new eVED if she had an electric car, but she doesn't).



## » Frozen IHT allowances and the 100% rate of APR/BR

Changes to Business Property Relief were kept to a minimum. Whilst freezing the individual and residential nil rate bands for another year (to April 2031) will come as no surprise, it was pleasing to see that any unused £1 million allowance for the 100% rate of Agricultural Property Relief and Business Relief will be transferable between spouses and civil partners, including if the first death was before 6 April 2026. (That £1 million allowance was subsequently increased to £2.5m in a further announcement, just before Christmas).

*This means that married couples can effectively access 100% relief on up to £5m of qualifying assets, with any unused allowance transferrable after first death.*

Relieving payments made under the Infected Blood Compensation and Infected Blood Interim Compensation Payment Schemes from IHT is also most welcome.

## » VCTs and EIS

In other tax-advantaged news, the Government announced that it will increase the VCT and EIS company investment limit to £10 million p.a. (£20 million p.a. for Knowledge Intensive Companies ["KICs"]) and increase the lifetime company investment limit to £24 million (£40 million for KICs).

**However, VCT income tax relief will decrease to 20% in April 2026.** It will be interesting to see if this results in investors or advisers choosing EIS investments instead.

### IHT on Pensions

The "fiscal drag" caused by the frozen IHT bands continues and mean that as house and other asset values rise over the next six years, more estates will naturally be pulled into the 40% IHT net.

This will be exasperated by the imposition of IHT on pensions from April 2027. Despite some people hoping the Government would relent, it did not and that change is still going ahead. Whilst this will not be welcomed, it has shown us that the Government has set its course.

Hopefully, knowing this will allow advisers, and their clients, to feel more confident when reviewing their investment strategies. For example, what do clients do with pension pots and AIM portfolios?

I was speaking to an adviser the other day who was telling me that one of their clients had recently passed away without doing any IHT planning, despite the adviser's best efforts. Apparently that client had kept putting it off over the last two and a half years for a variety of reasons:

- In Summer 2023, "the Government is going to scrap Inheritance Tax"; then
- In Summer 2024, "we have a new Government, and we need to see what the first Budget brings"; and finally
- In Summer 2025, "they're bound to change their mind – they have with everything else. Let's wait for the next Budget".

Unfortunately, that client didn't live to see this year's Budget. If they had taken their adviser's advice in the Summer of 2023, their family would have been tens of thousands of pounds better off, if not more.

As Baldrick would say, perhaps that's the cunning plan. Keep people guessing and they won't do any tax planning. They'll then pay more tax.



If you'd like to find out how Seneca's IHT Service can assist with your clients' estate planning, please don't hesitate to **get in touch.**



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# Real Estate 2026:

## Trends to watch, challenges to tackle, opportunities to seize

By Howard Sefton, Managing Director, Real Estate at Ingenious

As we move into 2026, the UK real estate market stands at a pivotal crossroads. Economic uncertainty, political shifts, and changing lifestyles are converging to reshape how people live, work, rent, and invest. With a major Budget announced just weeks before year-end, the sector faces a rare mix of volatility and opportunity.

Here are the key dynamics set to define the year ahead.

### 01

#### Budget shockwaves: policy changes that could reshape the market

This year's Budget is among the most significant in a decade, introducing a 'super council tax', effectively a Mansion Tax, on homes over £2 million, alongside higher taxes for landlords. From April 2028, affected properties will face an annual levy linked to CPI, projected to raise £400 million, while an additional 2% tax on property, dividend, and savings income could generate £2.1 billion.

These changes may cool demand for upper-tier properties, particularly around London and the South East. Some owners may sell, while others delay transactions, constraining supply and affecting prices.

Landlords face higher taxes too. From April 2027, property income will be taxed at 22%, 42%, and 47% for basic, higher, and additional rates, following previous Stamp Duty hikes and restrictions on mortgage interest relief for buy-to-let properties. These increases are likely to be passed on to tenants, driving rental growth and further straining household budgets, especially among younger renters. The Chancellor frames this as ensuring "those with the broadest shoulders pay their fair share."

Absent Stamp Duty reform, ISA allowance cuts, and no replacement to Help to Buy, first-time buyer activity may slow. On the positive side, infrastructure commitments, including renewed funding for the Lower Thames Crossing, could boost connectivity and property values in east and south-east London, supporting developers and investors over time.

### 03

#### Rental market resilience: demand rises as private landlords retreat

The rental market is evolving amid policy pressures, affordability challenges, and changing tenant expectations. Many private landlords are exiting due to tighter regulation, higher compliance costs and the increased tax burden shrinking supply as demand peaks. Rents are likely to continue to trend upwards throughout 2026.

Institutional Build-to-Rent (BtR) operators are filling the gap, with high-amenity, professionally managed developments increasingly shaping London and regional markets. Single-family rental housing is also growing, extending institutional models into suburban areas. The UK is gradually shifting toward a more European rental culture, where long-term renting is mainstream.

Capital flows are expected to remain robust but with a redirection toward mid-market, income-led residential assets. Build-to-Rent, PBSA, single-family rental, affordable housing, and suburban schemes are likely to attract foreign, institutional, and private-credit investors, with credit strategies playing a growing role as banks remain cautious.

“

*Affordability remains the UK real estate sector's toughest challenge.*

### 05

#### Affordability at breaking point: the sector's defining challenge

Affordability remains the UK real estate sector's toughest challenge. High interest rates have locked up capital in completed schemes, slowing sales and constraining developers' ability to fund new projects. SME developers are particularly exposed, renting unsold units to service debt.

The ongoing cost-of-living crisis compounds pressures on affordability. London faces acute challenges from red tape,



### 02

#### Commercial real estate rebounds: offices and co-working regain relevance

After muted years, 2026 could mark a turning point for commercial real estate, particularly offices. Attractive yields, improved leasing, and clearer workplace patterns are slowly restoring momentum. Hybrid working remains, but companies increasingly encourage three to four days in the office, boosting demand for high-quality, well-located space.

Flexible and co-working environments are back in favour. Much of the low-quality excess stock has been absorbed, and new schemes are emerging for SMEs, scale-ups, and corporates seeking flexibility. Overall, offices look set to reassert their purpose, and commercial real estate could regain steady momentum in 2026.



### 04

#### A new ownership journey: the rise of lifecycle living

The traditional rent-then-buy trajectory is fading. Many younger people see homeownership as out of reach, giving rise to a more fluid housing lifecycle spanning:

- Student accommodation
- Co-living schemes
- Private rented flats
- Single-family rental homes
- Senior living and care

Developers and investors are now targeting these lifecycle stages, offering reliable management, amenities, and community. Co-living, once niche, now attracts young professionals through wellness spaces and social hubs. Senior living continues to expand, driven by an ageing population. Lifecycle focused strategies are set to reshape development and investment priorities by 2026.



#### Conclusion

The UK real estate market in 2026 will be shaped by economic pressures, policy decisions, and evolving societal trends. From Budget impacts such as the Mansion Tax, ISA allowance cuts, and infrastructure funding, to intense resurgency, rental transformation, and intensifying affordability challenges, success will demand agility, strategic foresight, and adaptability.

At Ingenious, we are expanding development lending to support specialist rental developers with extended stabilisation terms and offering tailored solutions for low-carbon projects. Those who embrace change, portfolio rental to models, scale Build-to-Rent portfolios, and adapt to a post-pandemic commercial landscape will thrive in a market where traditional assumptions no longer hold.



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# Client planning scenario:

## Clients looking to invest their tax-free pension lump sum to reduce inheritance tax

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

By Octopus Investments

Some clients are now re-visiting their estate planning with their advisers, given that unused pensions will be included in their estate for inheritance tax (IHT) purposes from April 2027. This example explains how drawing tax-free cash from a pension and investing into Business Relief (BR) could offer clients a way to plan for inheritance tax.

### About this scenario

We created this tax planning scenario to help advisers develop suitable planning strategies for clients. It does not provide advice on investments, taxation, legal matters, or anything else. As you know, tax-efficient investments aren't suitable for everyone. Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs. Before recommending an investment, you should also consider the impact of charges related to the product, such as initial fee, ongoing fees, and annual management charges.



### Meet Bertha, a prudent investor focused on legacy planning and peace of mind.

At 83, Bertha has always been a balanced investor, seeking stability and long-term security, while recognising that additional risk may be necessary to meet her particular financial goals.

From 6 April 2027, pensions will be included in the taxable estate for inheritance tax (IHT) purposes — a significant shift Bertha wasn't prepared for. She had planned to use her pension as a key part of her legacy, passing it to her children free from IHT.

With this new legislation approaching, Bertha realises she needs to rethink her strategy to pass on a proportion of her wealth as efficiently as possible. She's uncomfortable gifting away too much in case her circumstances change. She wants to retain control and flexibility in her financial planning.

Her adviser reviews her goals and recommends an investment that qualifies for Business Relief (BR), which can be passed on with relief from IHT upon her death, provided the shares have been owned for at least two years and are still held when she dies.

In light of the pension changes, he suggests she draws £100,000 as a tax-free lump sum from her pension and re-invest the funds into a BR-qualifying portfolio.

Bertha is reassured that a BR portfolio will be managed with the objective to maintain control and access, and she is comfortable with the high investment risk of the portfolio. However, the two-year holding requirement for the investment to qualify for relief from IHT causes her to worry about if something happened to her in the meantime.

Her adviser recommends OITSPPlus, a discretionary managed BR portfolio service, which also benefits from our two-year insurance cover.

Designed for investors like Bertha, it helps manage the short-term risk of Bertha dying before her investment qualifies for relief from IHT. Since Bertha is under 85 and meets the health declaration, she's eligible and decides to invest.

Bertha invests £100,000, which means that after initial and dealing fees, £96,535 will be used to buy shares in one or more companies expected to qualify for BR. Targeting modest growth of 3%, the investment could grow to over £102,000 after two years.

If Bertha passes away before the BR qualification period ends, the insurance could pay out £40,000 (40% of her initial investment before fees are deducted), to help pay any IHT.

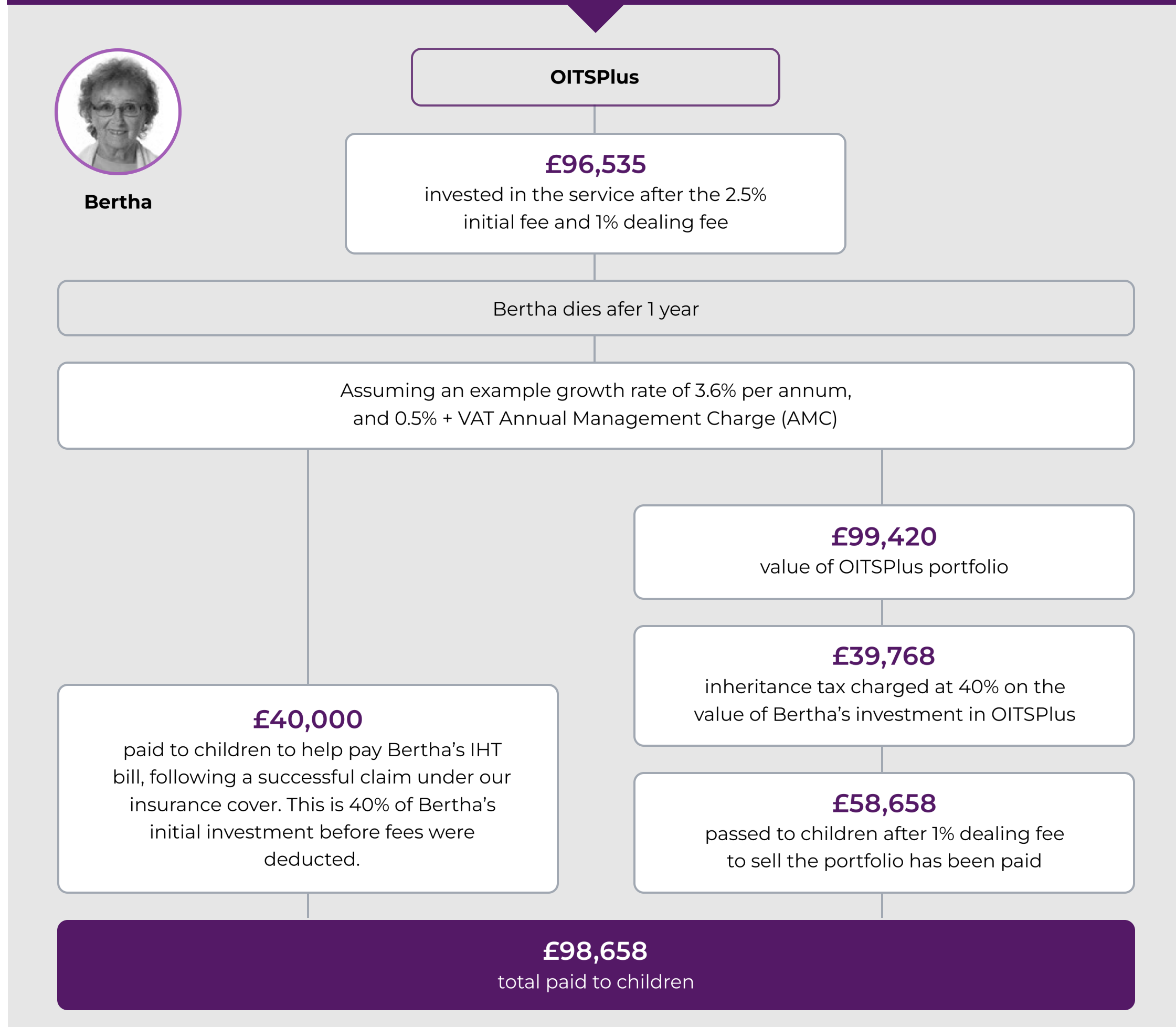
OITSPPlus gives Bertha the reassurance she's been looking for, providing a flexible estate planning solution that helps her pass on more of her wealth, just as she intended. Her adviser makes it clear, however, that the Service invests in shares of unquoted companies and withdrawals cannot be guaranteed.

#### AN IMPORTANT REMINDER ABOUT RISKS

- ❗ BR-qualifying investments are high-risk.
- ❗ The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest.
- ❗ Tax treatment depends on individual circumstances and tax rules could change in the future.
- ❗ Tax relief depends on portfolio companies maintaining their qualifying status.
- ❗ The shares of unquoted companies could fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- ❗ For OITSPPlus investors, the benefits offered by Octopus' Insurance Policy only apply to eligible deaths. Ineligible deaths, or a misrepresentation in the health declaration could result in the Insurer refusing to settle a claim under the Insurance Policy.

### How it works in practice

Bertha draws £100,000 as a tax-free lump sum from her pension and invests in OITSPPlus, a service that invests in the shares of one or more unquoted companies expected to qualify for BR. Eligible investors like Bertha, also benefit from our two year insurance cover.



**Note:** Tax legislation, rates and allowances are correct at time of publishing for the tax year 2025-26. This example is for illustrative purposes only and each investor's own tax situation may be different. For ease of comparison, we've assumed an annual growth rate of 3.6%, and that annual management charges are calculated annually. This example does not include any charges paid for financial advice. OITSPPlus has an initial charge of 2.5%, a deferred AMC of up to 0.5% + VAT and a dealing fee of 1% for investments and withdrawals. AMC is calculated daily. This example assumes that the investment will be held until death, the nil-rate band is offset against other assets.

In April 2026, a £2.5 million Individual Business Relief Allowance will be introduced that applies to investments in qualifying assets, unquoted investments, and agricultural property. Amounts up to that allowance are free from inheritance tax. Qualifying investments above this allowance attract relief at 50% (as do all qualifying AIM-listed shares). Until April 2026, BR continues to be available on all qualifying investments, including those within OITSPPlus, without any cap.



If you'd like to discuss how these planning scenarios apply to your clients, or to find out more about how Octopus can support you, call our Business Development Managers on **0800 316 2067**, email [support@octopusinvestments.com](mailto:support@octopusinvestments.com) or visit [octopusinvestments.com](https://www.octopusinvestments.com)

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#### Disclaimer

The 0% initial fee offer on OITSPPlus is available for eligible advised investors until 30 April 2026; standard investment eligibility criteria and full terms and conditions apply.

BR-qualifying investments are not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs. This communication does not constitute advice on investments, legal matters, taxation or any other matters. This is a high-risk investment.

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# Act in haste, repent in displeasure?

By Stellar Asset Management

With BR on AIM shares set to half from 6 April 2026 onwards, some clients and advisers have, or are, viewing a switch from AIM into qualifying asset backed schemes as almost a “no brainer”.

## 1

### Size is the enemy of returns

We have much greater flexibility to invest across the whole AIM market than larger AIM IHT peers, which has delivered significant relative outperformance, as explored here.



## 2

### Strong value proposition

Stellar's AIM IHT service offers compelling value for money, particularly relative to larger AIM providers' fees, as well as most asset backed schemes.



## 3

### Once in a generation value to be found in UK small-cap stocks

Risk is primarily a function of price, and lowly valuations today should help to deliver attractive uncapped returns in the future.



## 4

### The “great rotation” from the US to the Rest of World

The so called 'magnificent seven' stocks in the US present extreme levels of index concentration risk, concomitant with, we believe, a gross misallocation of capital into AI. The smart money is already moving on with the UK stock market a notable beneficiary from overseas investors' capital this year (Source: Schroders Equity Lens August 2025).



## 5

### 50% BR is still attractive

We only need to grow investors' capital at c. 8% per annum over the next 3 years ( $£100 \times (1.08)^3 = £125.97 - 20\% \text{ IHT} = £100.78$  (close enough!)), to put them back in the same position they were before the tax rule change.



\*This is based on a 2% dividend yield and 10% forecast dividend growth (2% + 10% = 12%). Should valuations re-rate back to their long-term average, this would add c. 3% p.a. to returns over a 6. Unchanged 10 year period (12% + 3% = 15%)



## 6

### Unchanged attractions

AIM shares will continue to offer flexibility, transparency, and liquidity while clients retain total control over assets at all times.



## 8

### Tax change risk

By switching from AIM into asset backed, there is the real risk of transferring a more known tax risk for an unknown one. Any sort of levelling up between AIM and asset backed (something we are lobbying for) could see liquidity severely tested. While this liquidity profile will be suitable for certain clients, it likely won't be for all, and the more money that is invested into such schemes the more likely the government will review matters (yet again). Indeed, Citywire recently highlighted that the Treasury is considering equalising the tax treatment between asset backed and AIM, as reported here.



## 7

### Crowding in capital

There are a multitude of initiatives across various stakeholders including the London Stock Exchange, FCA, and government to encourage fund flows back into UK equities. Whether these come from ISA and/or pension rule changes that encourage (or outright mandate) a domestic bias, the effect on prices would be significant. When attractive fundamentals align with fund inflows, good things tend to happen.



Extract from **Act in haste, repent in displeasure?**

Read full article [here](#)



## AIMing for better outcomes: What the 2026 tax changes mean for advisers today

Since the UK government's budget announcement in October 2024, the upcoming reduction from 6 April 2026 in Inheritance Tax (IHT) relief obtainable for investors in companies listed on the Alternative Investment Market (AIM) to a maximum of 50% relief (i.e. an effective rate of 20% on the value of their assets) has given prospective investors pause for thought when considering investment on AIM. Additionally, lack of clarity on other key areas relating to IHT, such as the tax treatment of pensions, has left investors unable to update their asset allocations to position themselves effectively for the new, upcoming tax landscape.

For many clients, though, regardless of the changes to the IHT reliefs available through different Business Relief (BR) schemes, **AIM continues to play a valuable role in their estate planning, offering diversification, flexibility, control, and attractive potential investment returns, particularly where an investor may have already used their £1m allowance through other non-AIM BR schemes.**

In such cases, 50% relief on IHT is still a generous relief, and the control over the investments which AIM BR schemes offer investors whilst also allowing for speedier qualification than other avenues, such as gifting, AIM remains an attractive solution to many high-net-worth (HNW) clients. In a world of often complex and opaque solutions, AIM remains a simple and cost-effective solution. AIM shares can also be held within an ISA, further embellishing its tax efficient credentials.

**In a marketplace with nearly 40 providers, these changes to BR have brought into sharp focus the need for investors to demand more from their chosen provider.** The fallacious argument that AIM investors will still be better off as long as their portfolios fall less than 40% shows an astonishing lack of belief in the potential for growth on AIM and their own ability as equity fund managers.

Like all good equity markets, AIM offers investors the potential to consistently grow the value of their assets over the long-term but, when reviewing historical performance, the dispersion between different AIM providers has been vast, with many failing to beat the benchmark in the past 5 years, let alone provide their investors with a positive return.



Extract from **Aiming for better outcomes** blog series

Read full article [here](#)



# The November 2025 Budget and what it means for our clients

By TIME Investments

## Tax on income

Their discussion kicked off with a look at the continued freeze on income tax thresholds and allowances, and National Insurance thresholds until 2031.

Tom described these measures as a 'stealth tax', because although there are no changes to the headline income tax rates, with inflation driving earnings upwards, many will move into higher taxation bands without even realising it.



Despite upcoming changes, until April 2027, salary sacrifice payments into a pension currently work like this:

- Reduced salary:** An individual agrees to give up a portion of their salary in exchange for their employer paying it into their pension.
- Tax savings:** Because the individual's gross pay is lower, they pay less Income Tax and National Insurance.
- Employer contribution:** The money is treated as an employer contribution, meaning the employer also doesn't pay National Insurance on the amount.
- NI savings:** The employer often passes some or all of their National Insurance savings back to the individual, further boosting their pension or take-home pay.

## KEY TAKEAWAYS

- Salary sacrifice is often used to take annual earnings below the higher or additional rate threshold, but there is no statutory obligation for an employer to provide salary sacrifice for pensions. So, this option may disappear for many if their employers are unhappy with the potential for additional NI costs and administrative burden.

- Employees should consider their salary sacrifice contributions before April 2029 and whether accelerating them is sensible in order to take advantage of the current rules.



Although general income tax rates remained unchanged in the budget, there were increases to specific categories of income:

- Savings income (bank interest):** From April 2027 the income tax rate will be 2% higher than standard income tax across all bands.
- Meanwhile, tax on dividend income changes from April 2026 with the ordinary rate and upper rates increased by 2% to 10.75% and 35.75% respectively. The additional rate will remain unchanged at 39.35%.

In a further unexpected development, Venture Capital Trust (VCT) income tax relief was reduced from 30% down to 20% for shares issued after 6 April 2026. There were other more positive changes made to various restrictions on the companies able to receive investment qualifying for EIS and VCT tax reliefs and the amount of investment they can receive.



## Capital taxes

Tom explained that, in the previous Budget, changes were announced to Business Relief (BR) and Agricultural Property Relief (APR), including the introduction of a £1 million allowance for unquoted BR and APR, under which 100% relief from Inheritance tax (IHT) is available. This proposed allowance was increased to £2.5 million in a government announcement on 23 December 2025, subsequent to the webinar. Above the allowance amount, any BR or APR will only apply at 50%. Please also note that from 6 April 2026 all BR investments utilising the AIM market will only receive 50% relief.

The 100% allowance was originally announced as 'not transferable between spouses if unused on death'. In the most recent Budget, that was amended so that the 100% allowance will be transferable between spouses.

As a result, without having to transfer qualifying assets to children or similar on first death, a couple should now be able to access up to £5 million of 100% BR/APR (following the increase in the allowance in December). Please also note that from 6 April 2026 all BR investments utilising the AIM market will only receive 50% relief. On top of this, if there was a first death that took place before 6 April 2026, the surviving spouse will be able to inherit 100% of the allowance of the deceased spouse, as it will be treated as being unused.

Also in relation to IHT, from 6 April 2027, unused pension funds and most pension death benefits will fall within the scope of inheritance Tax (IHT). To assist personal representatives (PRs) with settling IHT bills within the six month time limit, it was announced PRs will have new powers to instruct pension schemes to withhold up to 50% of taxable pension benefits for up to 15 months after death, using those funds to settle IHT before releasing the remainder.

### Planning points:

- Where advisers have clients that are existing widows and have been working on the basis of a £1 million BR/APR allowances should they die after 5 April 2026, that should now be £5 million as a result of the two amendments announced. Please also note that from 6 April 2026 all BR investments utilising the AIM market will only receive 50% relief.

- Beneficiaries relying on the distribution of pension death benefits may face extended delays in receiving them.

Tom then tackled Cash ISAs, which, from 6 April 2027, will allow an annual maximum investment of £12,000 for under 65s, with the remaining £8,000 of the £20,000 personal ISA allowance having to go into stocks and shares if individuals wish to use it.



## CHANGES TO TAXES ON INCOME

### Income tax thresholds

Frozen until 2030-2031

Personal allowance - **£12,570**  
Higher rate threshold - **£50,270**  
Additional rate threshold - **£125,140**  
HICBC & PA tapering - **no change**

### Pension salary sacrifice

Relief limited to contributions of **£2,000 p.a.** from April 2029

### National insurance threshold

Frozen until 2030-2031

David pointed out:

**1.** Relief is to be limited to any employee contributions from salary sacrifice up to £2,000. Any contributions over this limit will be liable to both employee and employer National Insurance (NI) contributions.

**2.** The changes are not due for implementation until April 2029. That may be around the time of an election, so time will tell if they are actually applied.

As well as this being a disincentive to higher earners paying more into their pensions, it will also increase payroll costs for businesses: Employers will pay 15% NI on sacrificed salary above £2,000. For example, on a £3,000 excess, the employer pays £450 NI.

## It's worth remembering that:

- Property income tax rates will apply to Retail Estate Investment Trusts (REITs) and Property Authorised Investment Funds (PAIFs). (See later in this article for details of changes to property income tax).
- Accelerating some dividend payments so they are made before April 2026 could prove beneficial.
- Family Investment Companies (FIC) could hold benefits that offset increases in income tax on dividends as tax free roll up within the FIC is available. So if a family investment company invests in dividend-producing assets, then dividends between companies are tax free.
- 2025/26 is the last year in which the upfront income tax relief available when purchasing new shares in a VCT is at 30%. Some popular VCTs are expected to sell out fast, so considering where VCTs might be useful should be discussed sooner rather than later.

## Property taxes

For property owners, David described how three main changes are likely to influence tax planning:

**From April 2027**, the government is creating separate tax rates for property income. The property basic rate will be 22%, the property higher rate will be 42%, and the property additional rate will be 47%.

**From April 2028**, a council tax surcharge will apply, at varying rates, to houses worth over £2 million, payable by the property owners.

**From 6 April 2026**, incorporation relief will no longer apply automatically, when sole traders or business partners transfer their business into a company. Taxpayers must actively claim it in their self-assessment return and opting out will no longer be possible. HMRC is focusing on property incorporations, where the definition of "business" is often contested. Requiring disclosure in tax returns will allow HMRC to scrutinize whether a genuine business exists (as opposed to passive investment).

### New considerations:

- Since April 2020, landlords have been unable to deduct mortgage interest directly from rental income. Instead, they receive a basic rate tax credit (currently 20%) on their mortgage interest payments, regardless of whether they are a basic, higher, or additional rate taxpayer. So, by delaying mortgages until after April 2028, they will receive slightly more tax relief (20% vs 22%).

- To prove business activity in property incorporations, more detailed reporting will be required in self-assessment returns and deadlines will need to be carefully tracked to avoid missed claims.

## Changes affecting businesses

Two changes to the capital allowances regime will come into effect this year. From 1 January 2026, a new form of first year allowance will be introduced at 40%, where the annual investment allowance or full expensing don't apply. This includes for unincorporated business and assets provided for leasing/hire.

The second change comes into effect from either 1 April 2026 or 6 April 2026 depending whether the entity pays corporation tax or income tax. It is a reduction in the rate of the main pool writing down allowance from 18% to 14%. While it may pool to slow down allowances, the majority of new investment is still likely to qualify for one of the accelerated first year allowances.

Employee Ownership Trusts, which provide an alternative to selling to a third party, keeping the business independent and aligned with employee interests, are also being adjusted. Currently they offer business owners a CGT-free sale route, but from the date of the Budget that changed, with relief cut to 50%.

Although there have certainly been more cuts to tax reliefs and allowances available to both individuals and companies, if advisers act quickly, there are some mitigating actions that can be taken. That means urgent analysis of current tax planning against the Budget changes needs to be undertaken.

## SUMMARY OF KEY DATES



### 6 APRIL 2026

- Upfront income tax relief on VCT investments drops from 30% to 20%
- Cap on 100% BR and APR introduced at £2.5 million, transferable on death between spouses
- Tax on dividend income rises: Ordinary rate and upper rates increased by 2% to 10.75% and 35.75% respectively. The additional rate will remain unchanged at 39.35%
- Incorporation relief must be actively claimed in self-assessment return.

### 6 APRIL 2027

- Most unused pension death benefits fall within the scope of IHT
- Separate tax rates for property income apply: Property basic rate will be 22%, the Property higher rate will be 42%, and the Property additional rate will be 47%.
- Savings income (bank interest) to be taxed at 2 percentage points higher than standard income tax across all bands

### 6 APRIL 2028

- A council tax surcharge will apply, at varying rates, to houses worth over £2 million: £2m - £2.5m: £2,500, £2.5m - 3.5m: £3,500, £3.5m - £5m: £5,000, £5.0m+: £7,500

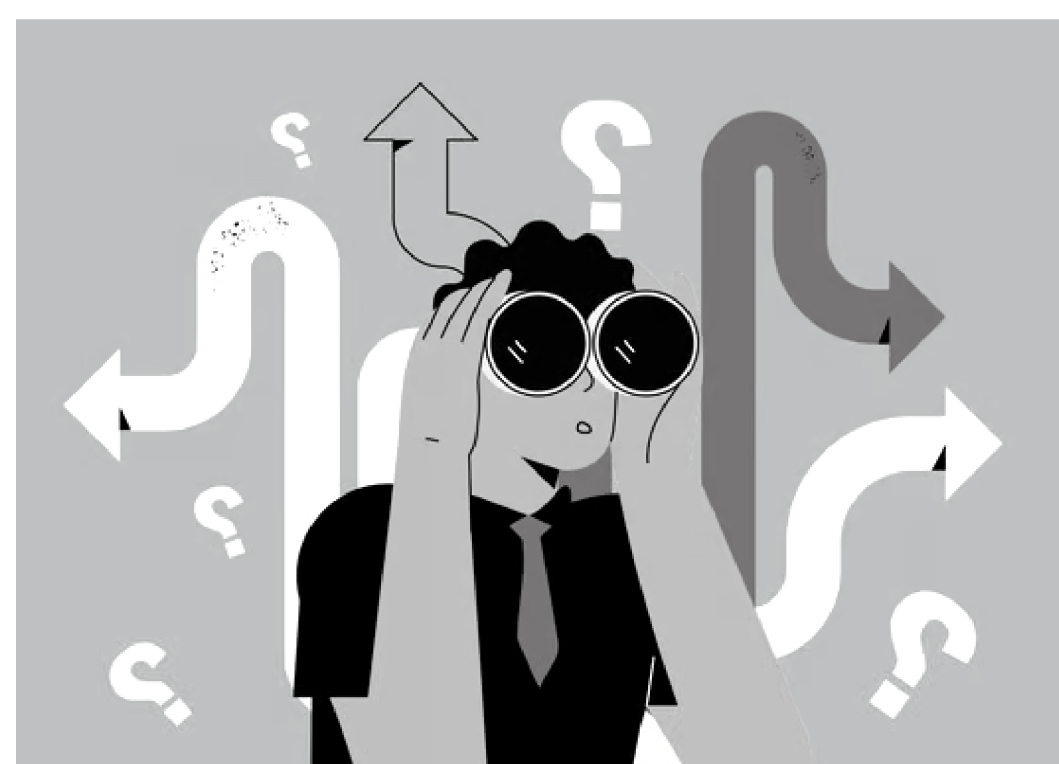
### 6 APRIL 2029

- Pension salary sacrifice NI exemption capped at first £2,000 of contribution

# Caught between a rock and a hard place?

*For professional advisers only*

*Peter Steele, Retail Operations Director, Seneca Partners*



Having a musical background, when I hear those words, I think of the Rolling Stones song of a similar name. However, on this occasion it is something that an adviser said to me the other day; specifically, his description of where he felt he found himself.

He had been reviewing a client's portfolio that included an AIM portfolio that had lost 20% of its value over five years. (It had actually lost a bit more than that, but 20% is an easier figure to work with when relaying the story). His client's £200k was now worth around £160k. This is ignoring the effect of any fees and charges. (That caveat applies throughout this article).

Whilst he had lost faith in that portfolio, he had put off transferring the money into something else in the hope that the portfolio would recover most if not all of what it had lost. He did not like the idea of crystallising the loss. (The proverbial rock).

However, if the client remains invested in the AIM portfolio beyond 5th April 2026, the portfolio will only qualify for 50% Business Relief upon that client's passing and therefore the £160k would cause the estate to suffer £32k of inheritance tax. That would mean the £200k would be worth a net £128k to the beneficiaries. (The proverbial hard place).

The adviser wanted to chat through whether or not the client should transfer their money from the AIM portfolio into an unquoted BR investment.

## » TRANSFERRING THE MONEY INTO AN UNQUOTED BR INVESTMENT

Whilst this does crystallise a loss, if the transfer is done before 6th April 2026 and the client also dies before that date, 100% relief should be available utilising Replacement Property Relief.

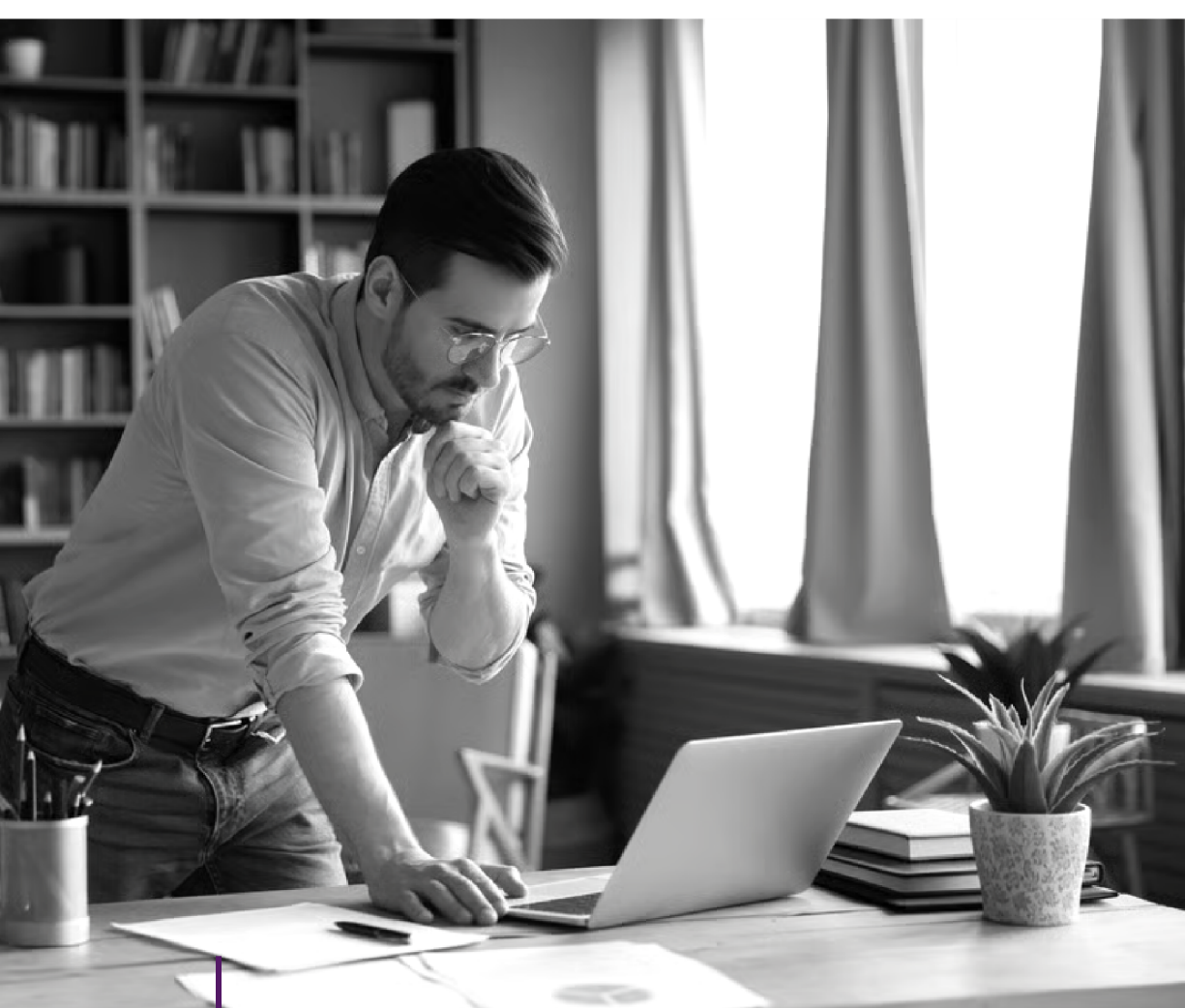
However, if the client dies after 5th April 2026 (and regardless of whether the transfer was done before that date or not), transferring the money to an unquoted BR would mean that the client would be invested in an asset that should qualify for 100% Business Relief (if within their £2.5m allowance) after two years of ownership. That's worth repeating. Despite the potential for Replacement Property Relief, 100% relief would only be available after two years!

Why? Section 107(2) of the Inheritance Tax Act 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".

Therefore, if the client dies after 5th April 2026 and their estate is relying on Replacement Property Relief, the rate that applies would be 50% (i.e. the rate that would have applied had the transfer not taken place). Once the new unquoted asset has been owned for two years, Replacement Property Relief is no longer needed, so 100% Business Relief applies thereafter.

Let's assume for the moment that the client then lives for five years before passing away and their investment grows by 4% p.a. Their £160k is now nearly £195k (an increase of c. 22%). Being an unquoted BR investment, this should qualify for 100% Business Relief (if within their £2.5m allowance).

Why 4% p.a.? I'm aware of at least one BR investment that has achieved that every year for the last five years (I'll let you guess which one) although, as we all know, past performance is not a guide to future returns.



*To match the unquoted BR example above, the AIM portfolio requires growth of 52% over the period.*

## What if the client stays invested in their AIM portfolio?



Obviously, leaving the money in the existing AIM portfolio does not crystallise a loss. However, as we've said, if the client dies after 5th April 2026, the portfolio would only get 50% Business Relief. Therefore, to match the £195k in the unquoted BR example above, the AIM portfolio would need to be worth just over £243k after five years before inheritance tax is deducted. To get £160k to £243k in 5 years requires a compound rate of c. 8.75% p.a. (i.e. growth of over 52% over the period).

Whilst past performance is no guide, do you know many AIM portfolios that have managed that over the last five years?

## What to do?

Ultimately, that's between the adviser and his client. This was quite an extreme example and, certainly, not all AIM portfolios have lost more than 20% over five years.

It may depend on how confident they are that an unquoted BR investment will achieve 22% over a five-year period compared to how confident they are that an AIM portfolio will achieve 52% over the same period to effectively match the unquoted BR investment (once IHT has been paid).

Also, if more clients move out of AIM portfolios and demand for AIM shares reduces, what will happen to the value of the AIM portfolios that remain?

Whatever they decide, I wish them well. Hopefully, it's not all "doom and gloom" – I don't want to "paint it black".

...I'll find my coat!



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Seneca Partners has recently reduced the initial fee for new investment into its asset backed IHT Service to 1%. This is not a limited time offer.

What's more, if you have clients who are looking to transfer their AIM portfolio into an unquoted BR investment that offers both income and growth options, Seneca has a 'no upfront fees' offer, for transfers made into the Seneca IHT Service by advised investors, running to the end of the tax year. This could be attractive for investors looking to maximise their use of the 100% unquoted BR/APR allowance, now that the Government has increased it to £2.5m from 6 April 2026 (and made any unused allowance transferable between spouses and civil partners).

If you'd like to find out more, please contact Seneca on **01942 295 985** or at [tellmemore@senecapartners.co.uk](mailto:tellmemore@senecapartners.co.uk)



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