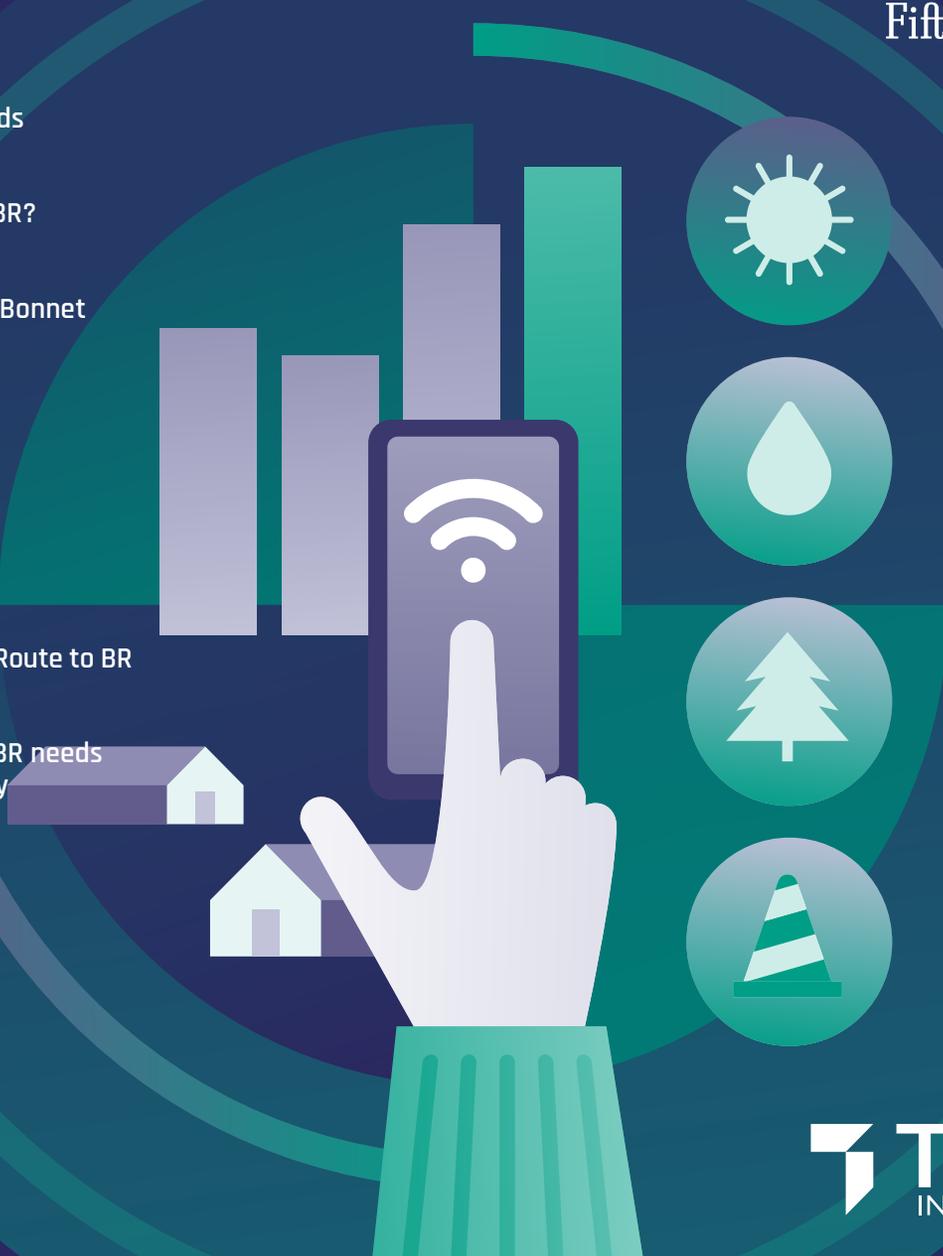


A Technical Guide to Business Relief

Fifth Edition

Find inside:

- 1.0 IHT as it Stands
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- 3.0 Under the BR Bonnet
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Introduction

In changing economic and political times, we're very proud to bring you the fifth edition of this Technical Guide to Business Relief, continuing to keep you up to speed with the information you need to use Business Relief when it's most appropriate and to get the best out of it.

In this edition, we're looking closely at the changes to BR announced at the October 2024 and November 2025 budgets and the other modifications that are shaking up the estate planning landscape and impacting existing plans. With varying timing of implementation, comes a range of possible outcomes and windows of opportunity for mitigating potentially increased inheritance tax liabilities.

We set the context and walk you through the specifics and mechanics of the new £2.5 million 100% Business Relief allowance, where and when 50% relief applies, where AIM now fits into the mix, and the diversification of estate planning methods against a backdrop of abrupt growth in estate sizes when unused pension capital is taken into account.

With the right knowledge, the benefits of Business Relief remain undimmed, so I hope you find this guide a useful reference tool.

Intelligent Partnership's free regular Business Relief Update also offers insights, opinions and analysis to help you keep your finger on the pulse of this useful tax and estate planning resource.



GUY TOLHURST

MANAGING DIRECTOR,
INTELLIGENT PARTNERSHIP

Acknowledgements

A guide like this is rarely the product of one organisation's efforts: to ensure that it is up to date, comprehensive, accurate and captures all of the key issues requires an industry-wide initiative.

We've had plenty of help producing this guide and would like to thank Sian Davies Cole, Paul Mounce, Andrea Jones, Tom Hewitt, Emily Boyd Nash and Taylor Beavis. Their input is invaluable, but needless to say any errors and omissions are ours.

Most of all we would like to thank our sponsor TIME Investments. It would not be possible to produce educational material like this without their generous support and contribution towards the production, and distribution of the guide.



NIGEL ASHFIELD

FOUNDER AND MANAGING DIRECTOR, TIME INVESTMENTS

Opening Statement

Since the last version of the guide came out, global events have deepened geopolitical tensions and economic uncertainty. Energy and food prices remain elevated, contributing to persistent inflation and a cost-of-living crisis across the UK. Inflation has begun to fall again, down to 3.2% in November 2025, but it still remains well above the Bank of England's target, and interest rates are still high at 3.75%. This backdrop has likely impacted your clients' financial situations, prompting many to reassess their goals and legacy plans. In today's uncertain climate, clients may be more reluctant to give up control of assets through gifting or trusts, in case they need access to those funds later. This highlights the importance of regular reviews to ensure their plans remain aligned with changing needs.

Inheritance Tax (IHT) receipts continue to rise, with HMRC collecting £5.8 billion between April and November 2025, up £84 million from the same period last year. Forecasts suggest IHT receipts could exceed £9 billion for the full year, and potentially reach £10 billion in 2026/27. With nil-rate bands frozen until April 2031, more estates will fall into the IHT net, increasing future liabilities. Early assessment of a client's IHT exposure is crucial, as it opens up more planning

options and can prevent costly surprises for beneficiaries. [moneymarketing.co.uk] [gov.uk]

The FCA's Consumer Duty remains a central regulatory focus. Updates issued in September and October 2025 clarify expectations around value for money, product governance, and distribution chains, with further consultations planned into 2026. Advisers must now demonstrate that their services deliver good outcomes and fair value for clients. [skadden.com], [natlawreview.com]

We continue to see Business Relief (BR) as a vital part of effective IHT planning. Its flexibility and ability to retain control over assets make it especially valuable in today's uncertain economic climate. When used alongside other IHT planning solutions, BR can help build tailored, resilient solutions that meet individual client needs—without compromising future financial security.

In a landscape of rising tax receipts, frozen thresholds, and evolving regulatory expectations, advisers who act early and plan smartly can deliver real value. Now more than ever, clients need guidance that's not only technically sound but also responsive to the world around them.



IHT as it stands

Business Relief is a statutory relief, enshrined in law, and has gone through various changes to its scope and developments of its rules.

At its introduction in 1976, its purpose was to prevent small businesses having to be broken up and sold to raise the funds required to pay any IHT liability when the business owner passed away.

The first BR estate planning service was launched in 1995. This service still runs today as TIME:CTC.

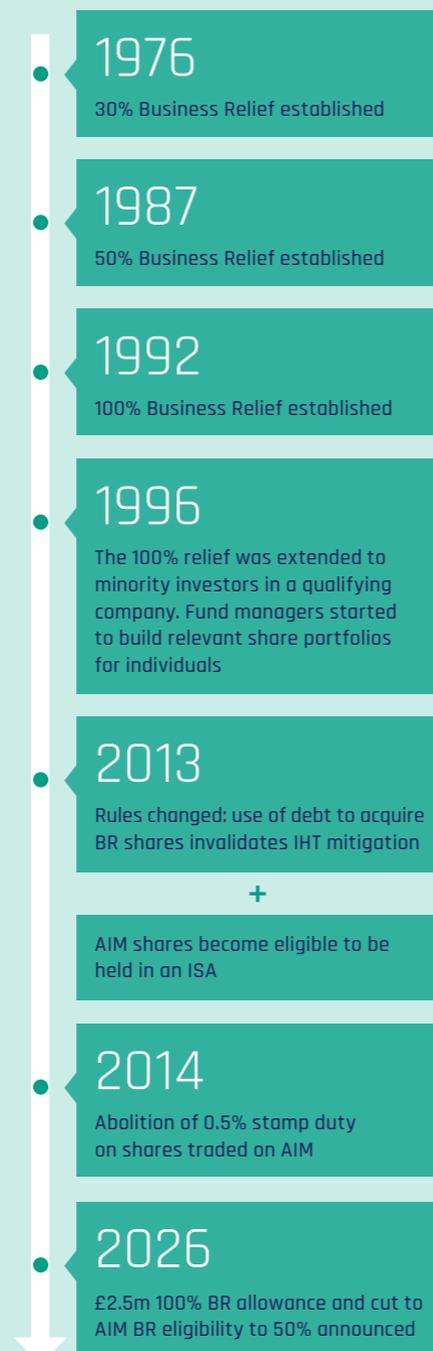
Since then, the number of BR services has soared now offering a wide range of objectives, risk profiles and investment strategies.

Changes announced in the Autumn Budget 2024 will see a limit put on the value of unquoted, BR qualifying assets on which 100% IHT relief can be claimed.

BR now also acts as an incentive to encourage investment into AIM-listed businesses, although from April 2026 BR claimable on such businesses will be cut from 100% to 50%.

With the 2025 Autumn Budget also extending the freeze on the nil rate band (NRB) and residence nil rate band (RNRB) to April 2031, more estates are likely to find themselves subject to IHT and the demand for estate planning, including BR, could well be driven up.

Timeline of relevant events



1.1

Fundamental drivers

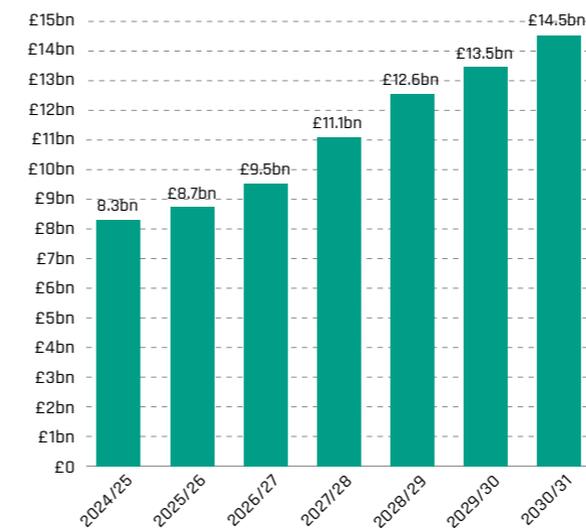
While an investment that is intended to benefit from BR is considered riskier than some other estate planning solutions, the outcomes it can bring can be very powerful. As the reach of Inheritance Tax (IHT) grows, the number of individuals for which BR might be suitable is also likely to rise and there are some key drivers that are creating the conditions for BR to thrive.

IHT receipts

In March 2025, the Office for Budget Responsibility (OBR) forecast that the government's annual IHT receipts would reach £14.3 billion by 2029/30, more than £6 billion more than the record £8.2 billion collected in 2024/25, an increase of close to 75%.

At the March 2024 OBR Fiscal and Economic Outlook, IHT receipts were projected to rise to a total of almost £50 billion over the six-year forecast period from 2023/24 to 2028/29. By November 2025, the figure for the six years to 2029/30 was £63.7 billion.

ACTUAL AND EXPECTED INHERITANCE TAX RECEIPTS



SOURCE: OFFICE FOR BUDGET RESPONSIBILITY (OBR) FORECAST, NOVEMBER 2025

A jump of £8 billion was predicted from the October 2024 budget when Labour announced the introduction of charging IHT on pension wealth transferrable at death from April 2027 and limits to agricultural and business reliefs from April 2026.

These are not insignificant sums, particularly when the 2019/20 total for IHT receipts was £5.12 billion, not much more than a third of the expected 2029/30 value. What's more, since 2019/20, the interest rate for late payment of an IHT liability has increased from 3.25% in 2019/20 to 7.75% from 9 January 2026 peaking at 8.5% in April 2025.

The OBR's October 2024 Economic and fiscal outlook predicts an almost doubling of the proportion of deaths subject to inheritance tax from 5.2% in 2023-24 to 9.5% in 2029-30, including from 2027/28, 10,500 estates paying IHT as a result of unspent pension pots coming into the scope of IHT.

It's also important to remember that the Institute for Fiscal Studies has suggested that the government projections are based on the wealth of those currently dying, but does not take into account the increased level of affluence of those whose deaths will not be taking place for another decade or so.

HMRC's latest IHT statistics, covering 2022/23, show an increase in the use of both BR and APR, reporting "the combined value of agricultural and business relief set against assets was £5.28 billion in the tax year 2022 to 2023. This was a rise of £0.86 billion (19%) compared to the tax year 2021 to 2022. The value of BR claimed rose by £0.49 billion (17%), whilst the value of APR claimed rose by £0.37 billion (24%)." Changes from 2026 are likely to put the brakes on this trend.



92% [of advisers] have had conversations with clients about wealth transfer prompted by the proposals to include unused pensions in Inheritance Tax from 2027.

SCHRODERS ADVISER PULSE SURVEY 2025, MAY 2025

Demographics

According to the Centre for Ageing Better's 'The state of ageing 2025', "Our older population is growing (both in numbers and in the proportion of the overall population) and the oldest part (people aged 85 and over) is the fastest growing segment of all.

Analysing the Inteliflow 2025 Advice map of the UK has shown that 25% of those using its systems via an IFA are over 70, with 18% in their 70s, 6% in their 80s and 1% in their 90s.

So IFA client banks are already fairly aged and that is only set to increase, suggesting most advisers are likely to have clients who will experience increased estate planning needs given the changes that are driving up the costs and consequences of lifetime transfers and the potential for previously unexpected tax liabilities on death. For those that don't, it may just be a matter of time.



Thought leadership

PROACTIVELY NAVIGATING THE UK'S CARE SYSTEM AND CARE COSTS TO AVOID EMERGENCIES

STEPHANIE LEUNG, CEO & CO-FOUNDER AT KAREHERO

Care planning should be treated like financial planning - proactive, not reactive. The earlier you start, the more choice and stability you can secure.

Adult social care in the UK is a complex and often misunderstood system that has seen rising care costs for decades. On top of this, in regard to care, the current UK government has been characterised by inaction rather than reform, meaning no major improvements will be seen in the near future. This means it is crucial for people to understand the landscape of funding and care costs ahead of time so they can build a plan of action in advance. Care costs can also vary from region to region so it is important to get specific guidance tailored to your personal circumstances.

How has the current government changed the care landscape?

The UK's adult social care system is both expensive and opaque. And under the current government, that's not changing anytime soon. Labour has shelved the long-promised Care Cap (originally due in October 2025), which would have limited personal care fees to £86,000. Instead, they have launched an Independent Commission into Adult Social Care; a two-part solution with the first completing in 2026 and aiming to offer a plan to bring in a national care service. The second part is then aiming to be completed in 2028 and should offer more long-term transformative solutions to the UK care system. In the meantime, however, families face years of limbo, during which care costs remain unlimited and largely unpredictable.

What does this mean for families navigating care?

Today, the average cost of residential care in the UK is £1,291 per week, rising to £1,545 for nursing care. A 5-year stay could easily exceed £335,000. And that's before considering inflation, health complexities, or additional charges for preferred homes. Costs vary widely depending on region and provider, but one thing stays the same: state support is limited, and it's not automatic. Means-testing often means families must draw on personal assets before any public funding becomes available.

Understanding the cost of care in your local area and building this into your later life financial plan is a good start, but there are also legal preparations you can make such as ensuring you have a Will and a Lasting Power of Attorney in place in case a loved one's health takes a turn for the worse.

Building a care plan for your family's future helps to alleviate the stress of an already overwhelming time and puts you in a position financially and emotionally to make better decisions. At KareHero we work with people to build these care plans, understand their care needs and access funding / benefits to help cover the costs of care in their later life. Our mission is to help families at every stage of their care journey understand their care needs and then find and fund the right care for them. Business Relief investments can be a useful part of this mix.

1.2

Key BR rules

The relief cannot be guaranteed upfront. As with many other taxes, HMRC only makes an assessment when a claim is made: either by the executors of the deceased's estate or when there has been a lifetime transfer*. So, even if a business is likely to qualify for BR at the point of investment by a client, if that business subsequently changes its activities to non-qualifying activities or secures a listing on a recognised stock exchange, it may not qualify at the point at which it needs to (at death or at the point of the lifetime transfer).

BR qualifying conditions for 100% IHT relief

Unlisted shares in qualifying 'trading' companies (a business run on a commercial basis with a view to profit), subject to the relevant conditions, benefit from Business Relief giving a 100% reduction in IHT. Shareholders need not be a director, work full time in the company or hold a minimum number of shares. The shares can also be preference or non-voting shares.

From April 2026, treatment of BR-qualifying shares quoted on the Alternative Investment Market and those which are private companies without any market listings will diverge:

AIM listed shares: They will benefit from Business Relief at 50%. There is no limit on the value of IHT-qualifying AIM shares that receive this relief.

Shares of BR-qualifying unlisted companies (usually benefitting from the backing of assets held by these companies): They will benefit from 100% IHT relief, up to a limit of £2.5 million per individual. This allowance is transferable, so that couples will be able to claim up to £5 million in 100% BR. Any BR assets held above the relevant limit will only receive 50% Business Relief.



The Government believes its reforms to agricultural property relief and business property relief from 6 April 2026 get the balance right between supporting farms and businesses, and fixing the public finances."

**JAMES MURRAY MP (LABOUR, EALING NORTH),
SPEAKING ON BEHALF OF THE TREASURY**

Available BR Relief:

This guide focuses on:

Business Relief available on unlisted BR-qualifying shares: 100% (limited to the first £2.5m from April 2026 with 50% available on the remainder). These must be:

- ★ A business or an interest in a business (including sole traders or partnerships)
- ★ Shares in an unlisted company

Other assets on which individuals may also claim 50% Business Relief include:

- ★ Shares quoted on AIM (or similar exchanges) from April 2026 (100% available for deaths until 6 April 2026)
- ★ Shares controlling more than 50% of the voting rights in a listed company
- ★ Land, buildings or machinery owned by the deceased and used in a business they were a partner in or controlled
- ★ Land, buildings or machinery used in the business and held in a trust that the deceased has the right to benefit from

* Lifetime transfers of value (e.g. gifts) that are immediately chargeable to IHT. In general, a lifetime gift is immediately chargeable (chargeable lifetime transfer (CLT)) unless it is an exempt transfer or a potentially exempt transfer (PET).

Relevant conditions for IHT Relief in unlisted, private companies & AIM listed companies



The shares (and relevant business property) must be held for at least two years prior to death. —But qualifying business property may also be treated as satisfying the two-year minimum ownership period where it replaces (either directly or indirectly) other qualifying business property. The replacement asset must be bought within three years of the disposal of the original relevant asset. BR applies, provided the ownership periods of qualifying assets total at least two years in a continuous five-year period.

If the property was inherited, it is deemed to have been owned from the date of death, unless it was inherited on the death of a spouse or civil partner. In this case, the surviving spouse or civil partner will be treated as having held the relevant asset from the original date of investment, rather than the date of death, thereby inheriting the ownership period of the deceased.



The company's main activity must be qualifying. Where shares are held, or there is a business, whilst there can be non-qualifying activity, the main activity must be qualifying.

So, if a company has an eligible activity as its main activity (generally considered to be 50% or more of the business's activity, when looking at all aspects of the business), but is also involved in a non-qualifying activity as a minor part of its business, the entire shareholding should still qualify for BR.

Non-qualifying activities include dealing in shares, making or holding investments or dealing in land or buildings (property development is qualifying but property letting is not).



For the purposes of BR, HMRC defines unquoted shares as those which are not listed on a recognised exchange. However, the Alternative Investment Market (AIM) and the Aquis Exchange (Aquis) are not classed as recognised stock exchanges and suitable shares listed on these markets are eligible for BR. Consequently, reference to unquoted or unlisted shares throughout this guide includes AIM and Aquis listed shares. Since 2013, AIM shares have been eligible for inclusion within an ISA, and by investing in BR eligible shares it is possible to have an ISA that is outside of the charge to IHT. From April 2026 such shares will receive IHT relief at 50% (charged at 20%) on any amount. So they will not be fully outside of the charge to IHT.



Assets (including cash) within the business will be considered "excepted assets" and will not qualify for BR unless they are either: used wholly or mainly by the business concerned throughout the two years preceding the transfer to the beneficiary; or required at the time of the transfer for future use for the purposes of the business. However, unlike the main activity condition on the business's activities, relief is still granted on the remainder of the business's assets. Simply holding cash in reserve to guard against a downturn is not considered a specific commercial justification.



Investors must not use debt to purchase BR qualifying investments: If they do, the liability will be added back and increase the value of the investor's estate when calculating potential Inheritance Tax.



If the business is subject to a binding contract for sale, then it will not qualify for BR. However, there is an exception to this rule where there is a properly drafted cross-option arrangement in place that enables a business to pass into the hands of surviving shareholders, which should be standard practice in many small businesses.

A BR advantage: A BR investment retains the ownership of the asset in the hands of the investor and it remains within their estate. This may prove advantageous when an LPA is in place, unlike an investment into a trust, but needs to be taken into account when considering eligibility for the Residence Nil Rate Band and the application of its taper for estates valued at more than £2 million, where a trust investment may reduce the value of the estate.

1.3

Recent developments

Economic, social national and geopolitical factors, including legislative changes and court judgments shift the IHT landscape and impact BR. The most recent developments to take note of are discussed in the following section.

Autumn budget, 2024

The first Labour budget in well over a decade announced substantial adjustments to the inheritance tax landscape largely within Business Relief, pensions and allowances. There were minor adjustments made in the 2025 Budget and in an announcement made on 23 December 2025, which have been reflected in the summary below. For Business Relief, here's what's new:

→ **£2.5 MILLION COMBINED ALLOWANCE FOR 100% BR AND APR:** From 6 April 2026, a £2.5 million limit per individual will apply to the amount of APR and BR assets combined that can be used to claim 100% relief from IHT, with a 50% rate applicable for assets held above this amount. This only applies to unquoted BR assets (not those listed on AIM or Aquis).

The allowance covers transfer of property in the estate at death; lifetime transfers to individuals in the seven years before death; and chargeable lifetime transfers where there is an immediate lifetime charge, for example when property is transferred into trust.

In addition, the allowance includes any Enterprise Investment Scheme (EIS) shares that also qualify for BR.

The £2.5 million allowance will be indexed in line with CPI, but will remain fixed up to and including tax year 2030 to 2031 in line with maintaining the Inheritance Tax nil rate bands at current thresholds.

→ **MARRIED COUPLES:** For a married couple or civil partners, each individual will be entitled to their own allowance of £2.5 million, and this allowance is transferrable between spouses if unused. Also, if the first death occurs before 6 April 2026, then the remaining spouse can claim the full £2.5 million unused allowance from the first death in addition to their own.

Conditions under which the allowance is NOT transferable include:

1. A non-dom spouse with no UK BR/APR assets leaves no transferable allowance.
2. The couple are divorced, legally separated or cohabiting at the time of death.

The percentage of any BR/APR allowance used by the spouse is deducted from the allowance and only that percentage transfers.

If a married couple uses both the joint nil rate band (£650,000) and residence nil rate band (£350,000) to shelter £1 million of their assets from IHT, using this and the BR threshold could result in 100% IHT relief for a total of £6 million of assets without even considering 50% IHT relief for excess BR qualifying assets.

However, if all of those assets are within the estate, the £350,000 Residence Nil Rate Band (RNRB) that couples with residential property can claim if they leave it to a close relative, would be entirely tapered away at £1 of relief for every £2 above £2 million.

→ **GIFTS AND TRUSTS - INTERACTION WITH THE INDIVIDUAL'S £2.5 MILLION ALLOWANCE:** The £2.5 million allowance for individuals will refresh every 7 years on a rolling basis in a similar way to how the nil rate band applies to lifetime charges, chargeable transfers on death, potentially exempt transfers and any immediately chargeable lifetime transfers, such as property settled into trust.

For settlors there will be a £2.5 million allowance on the combined value of agricultural or business property settled into a relevant property trust which qualifies for the 100% rate of relief, to be applied on each 10-year anniversary charge and exit charge. This is linked to the settlor and not the trustee.

Transfers of non-AIM BR qualifying assets into trust made after 6 April 2026 will utilise the £2.5 million allowance on settlement with any excess qualifying for 50% Business Relief. On any value exceeding £2.5 million, the value of shares transferred into trust which qualify for Business Relief will be subject to a taxable lifetime charge to IHT of 10% (50% of the standard 20%).

When thinking about putting money into trust, there must be consideration of what the individual has put in trust in the last seven years and the BR allowance is taken first. So, if an individual were to put £3.15 million into trust, they would be in a position to claim 100% Business Relief on the first £2.5 million (assuming the relevant shares were BR qualifying.) They would then receive 50% Business Relief on the remaining £650,000 which would reduce the taxable amount to £325,000. This is equal to the amount of the nil-rate band.

On this basis, assuming that there were no other gifts made into trust in the previous seven years and that the nil-rate band was still available, the entire £3.15 million would

go into trust with 0% IHT charge on the way in. After seven years, those gifts would be fully exempt and, assuming that there were enough Business Relief assets available, the individual could repeat the process. The key is that the £3.15 million has to be Business Relief qualifying at the point at which it is settled into trust.

For assets settled into trust or for gifts made after 30 October 2024, if the donor doesn't survive for seven years after making the transfer/gift and dies after 6 April 2026, then the transfer becomes a chargeable transfer for the estate and will use up the individual's £2.5 million 100% BR allowance.

Trusts own £2.5 million allowance

- Trusts settled before 30 October 2024 will each have their own £2.5 million 100% IHT allowance, rather than being restricted under the £2.5 million allowance per settlor.
- Similar to personal estates, trusts will have a non-AIM £2.5 million allowance for 100% Business Relief and APR on each 10-year anniversary charge or exit charge (the standard maximum annual or exit charge is 6%). If the non-AIM BR assets are valued in excess of £2.5 million, 50% relief will apply to the 10-year anniversary or exit charge (to a maximum of 3%)
- Where BR assets were transferred into a trust between 30 October 2024 and 6 April 2026, trusts will qualify for BR on assets transferred out during this period, even if the assets have not been held in trust for the usual two-year qualifying period.

More info

For more on Potentially Exempt Transfers (PETs) see the 'Transferring BR-Qualifying Assets' section of this guide on page 36.

- The settlor's £2.5 million allowance will not apply to exit charges for non-AIM BR qualifying property which has been settled into trust on or after 30 October 2024, and subsequently exits the settlement before 6 April 2026. Any such exits will receive 100% relief from exit charges and will not reduce the value of the trustee's non-AIM £2.5 million allowance at the next 10-year anniversary charge.
- Where multiple trusts are settled after 30 October 2024, the allowance is divided between trusts for their lifetime, allocated in chronological order, with priority given to the first settlement, then each successive settlement in order until £2.5 million of non-AIM BR qualifying property has been settled and the entire £2.5 million allowance for 100% relief has been allocated to the trustees.

→ **LISTED SHARES:** From 6 April 2026, the rate of Business Relief available will be reduced from 100% to 50% in all circumstances for shares designated as "not listed" on the markets of recognised stock exchanges, such as AIM or Aquis. Assets automatically receiving 50% relief (such as AIM shares) will not use up the £2.5 million allowance and there is no upper limit to the amount an individual can invest into unquoted assets or AIM-quoted shares while qualifying for 50% relief. This has led to a reframing of the considerations around whether to invest in AIM-based BR shares or unquoted BR shares because of the disparity in IHT relief that will be available from April 2026. On this basis, some have concluded that the first £2.5 million of BR investment should be in private, unlisted, asset backed BR-qualifying shares, or up to £5 million with the allowance now transferrable. Nevertheless, this may vary across individual portfolios as AIM listed shares continue to provide a valuable source of diversification for clients in their wider portfolio holdings and growth potential.

→ **PROPORTIONATELY SHARING IHT ACROSS MULTIPLE BUSINESS RELIEF INVESTMENTS:** When an IHT liability falls due and the client holds multiple investments, the liability is shared proportionately across each investment. So, for example:

£2.8 million is invested across three BR (private/asset backed) investment managers:

- £1,120,000 with investment manager A (40%)
- £700,000 with investment manager B (25%)
- £980,000 with investment manager C (35%)

Under the new rules, IHT falls due at 50% on the amount above the £2.5 million unquoted BR allowance, so in this case assuming no nil rate bands or other reliefs applied to the BR assets on death of the estate holder in three years-time, £300,000 would be subject to IHT at 50% of the 40% IHT rate = 20%.

The IHT liability is proportionally spread across all three BR-qualifying investments.

- 20% IHT on £300,000 = a total IHT liability of £60,000
- 40% of the £60,000 liability is applied to the £1,120,000 held by investment manager A = £24,000
- 25% of the £60,000 liability is applied to the £700,000 held by investment manager B = £15,000
- 35% of the £60,000 liability is applied to the £980,000 held by investment manager C = £21,000

If this £2.8 million was not invested in BR-qualifying assets the IHT liability for the estate on it would have been £1,120,000 (40% of the full £2.8 million).

→ **IHT PAYMENT BY INSTALMENTS:** From 6 April 2026, the option to pay Inheritance Tax by equal annual instalments over 10 years, interest-free, will be extended to all property which is eligible for agricultural property relief or Business Relief, regardless of the applicable rate of relief.

For deaths on or after 6 April 2026, the first instalment will be due 6 months after the end of the month in which the person died. Payments are then due every year on that date for the duration of the 10-year period. If the property is sold before the end of the 10-year period, the instalment option ends and all outstanding Inheritance Tax will become due. Interest is payable from the day after the date of sale to the date that the outstanding inheritance tax is paid.

For chargeable lifetime transfers (including Inheritance Tax entry charges on property settled into trust), the first instalment is due at the time the tax would normally be due if it were not being paid by instalments. Payments are then due every year on that date for the duration of the 10-year period. If the property is sold and the instalment option ends, interest is payable from the day after the date of sale to the date that the outstanding inheritance tax is paid.

When interest-free instalments aren't interest-free

Where instalments are interest-free, this means that no interest is payable on the instalments until they fall due. Once an instalment falls due, interest is payable on that instalment only, until it is paid. Thus, if all instalments are paid as they fall due, no interest ever becomes payable.

Business: a business or interest in a business can qualify for interest-free instalments even if not eligible for Business Relief

For example, this applies where a business operating a BR qualifying trade has not yet been owned for the necessary two year holding period. This is because there is no ownership condition in order for the instalment option to be available. The rules relating to excepted assets also do not apply.

Business Relief allows businesses to be passed from one generation to the next without penalty."

PLANNING FOR THE LONG TERM POLICIES TO SUPPORT FAMILY BUSINESSES,
FAMILY BUSINESS UK, 2025



Frozen allowances and thresholds

The October 2024 budget extended the freeze on the nil-rate band (NRB), at £325,000 and residence nil-rate band (RNRB), at £175,000, for an additional two years to 2029 and the 2025 budget a year further to the 2030/31 tax year. The NRB will then have been frozen for 22 years and the RNRB for nine.

Had the thresholds gone up with inflation, the NRB would be at around £555,000 by 2030/31 and the RNRB at almost £245,000 by the same time (ONS, OBR and withfarra.co.uk) giving many individuals the opportunity of sheltering more, if not all of their estate from IHT.

Pension inclusion in estates

2024's Autumn Budget also saw the announcement that, from 6 April 2027, IHT will apply to pension wealth that is transferrable at death. This will have wide ranging impacts, including on:

- Uncrystallised defined contribution (DC) pensions
- Crystallised DC pensions not invested in annuities

- Lump sum death benefits from defined benefit (DB) pensions
- Lump sum payments made into a bypass trust on death
- Unused drawdown funds
- Short-term annuities
- Authorised death benefits and lump sums to recipients chosen at a trustees' discretion.

Pension death benefits paid to a spouse or civil partner will remain exempt from IHT, as long as they are UK domiciled. Dependants' scheme pensions and charity lump sum death benefits will also be exempt, as well as benefits paid from a life policy purchased with pension funds, such as an annuity bought in the lifetime of the member.

If any pension is left to a spouse, it will continue to pass free from inheritance tax.

As a result of the proposed changes, from April 2027, beneficiaries could be liable for both income tax and inheritance tax on most inherited pensions. Currently, recipients don't pay tax if the pension-holder has a defined contribution pension and dies before the age of 75. But if they die post-75, the inherited pot is taxed at the recipient's marginal rate of

IHT BILL ON £2M ESTATE IN 2030/31

	Total IHT exemption for a married couple	Chargeable	IHT bill	Impact on IHT bill
Tax free allowance in 2030/31	£1,000,000	£1,000,000	£400,000	
Nil rate band inflation linked (No RNRB)	£1,156,840	£843,160	£337,264	-£62,736
Nil rate band and RNRB inflation linked	£1,640,250	£359,750	£143,900	-£256,100

SOURCE: BANK OF ENGLAND INFLATION CALCULATOR (CPI) TO JANUARY 2026 + GOVERNMENT INFLATION TARGET OF 2% PER ANNUM COMPOUNDED FOR 5 YEARS UNTIL 2030/31

Case study:

INHERITANCE TAX AND INCOME TAX COULD STILL PUSH UP UNUSED PENSION TAXATION

Graham dies in June 2027 at the age of 77



UNUSED PENSION VALUE ABOVE NRB

£870,000

This is the only asset in the estate which is exposed to IHT



The full value of the unused pension is left to one beneficiary in Graham's will - his daughter Stephanie (who is an additional rate taxpayer)

IHT is paid by the personal representative (from the estate) at 40% of £870,000 = £348,000



£522,000

net pension for Stephanie

Stephanie draws £50,000 from the pension, and the income tax deduction (reduces taxable income) would be the lower of:

- £348,000 (The IHT paid on the relevant death benefit); or
- £50,000 (The portion of the taxable pension income that reflects the death benefit)

Once £348,000 had been withdrawn by Stephanie from the pension, withdrawals of the remainder (£174,000) would be taxed in the normal way for income tax

1This would mean Stephanie would be liable for £78,300 income tax. So, the net pension amount she would receive would be reduced to £443,700

income tax. From April 2027, this will be after the deduction of IHT on any relevant unused pension capital above the nil rate bands.

If a beneficiary requests the pension scheme administrator to pay the inheritance tax liability, these payments will be authorised payments and will not be subject to Income Tax. But, by default, the personal representative and/or beneficiary of an estate will be liable to pay the IHT on the pension. If either of them pays the IHT due personally, the beneficiary would receive the pension benefits gross and would pay income tax on the gross pension received, resulting in the value of the pension fund being subject to both IHT and income tax where the deceased was over the age of 75.

HMRC has proposed a new income tax deduction to counteract this, to a degree, in certain circumstances. This income tax deduction will apply if:

- The beneficiary receives taxable pension income in a tax year;
- That income reflects a relevant death benefit (for example, income from a pension fund inherited on death); and
- The beneficiary (or the personal representative on their behalf) pays IHT on that benefit by 31 January following the end of the tax year;

The beneficiary can deduct the lower of the following from their taxable income:

- The IHT paid on the relevant death benefit, and
- The portion of the taxable pension income that reflects the death benefit.

In practice, tax experts have suggested that this means that the beneficiary of the pension (who has paid the IHT) only has access to income tax reimbursement up to the value of IHT the beneficiary paid on the pension. The remainder would be taxed in the normal way to income tax.

This is subject to HMRC confirmation, but if it is the case, it could result in the following:

The nil-rate band will be spread proportionately between the non-pension estate and the pension estate based on the relative size of their taxable amounts.

Current estate planning that includes significant focus on pension plans may now need reviewing. The appeal of pensions as a tax-efficient strategy is likely to diminish in appeal, and other wealth management strategies, including Business Relief, will need to be examined.

CGT rate increase

For disposals made on or after 30 October 2024, Capital Gains Tax (CGT) rates increased as follows:

- The main rates of CGT that apply to assets other than residential property and carried interest from 10% and 20% to 18% and 24% respectively
- The rate of CGT that applies to trustees and personal representatives from 20% to 24%
- The rate of CGT that applies to Business Asset Disposal Relief and Investors' Relief from 10% to 14% for disposals made on or after 6 April 2025, and from 14% to 18% for disposals made on or after 6 April 2026.

The rates of Capital Gains Tax that apply to residential property disposals (18% and 24%) will remain unchanged.

Even when APR/BR take an estate above the new £2.5 million shared cap, the effective IHT tax rate may well be below that for CGT. As a result, there may still be a tax benefit from holding assets to death.

Also, if an individual holds BR-qualifying assets until their death, their beneficiaries receive them at the current market value – their value is rebased. That means there is no CGT to pay on any growth in their value while the original individual owned them.



When devising an estate plan to reduce inheritance tax, it is essential to consider the impact of CGT alongside other financial aspects. An effective strategy should consider both taxes simultaneously to ensure a comprehensive and efficient approach."

THE ASSOCIATION OF LIFETIME LAWYERS



Thought leadership

THE ESTATE OF THE LATE GERTRUD TANNER VS HMRC

TOM HEWITT, PARTNER, BURGESS SALMON
AND EMILY BOYD NASH, TRAINEE SOLICITOR, BURGESS SALMON

Background

The estate of the late Gertrud Tanner v HMRC concerned whether a holiday accommodation business qualified for Business Relief (BR) under section 105 of the Inheritance Tax Act 1984. The First Tier Tax Tribunal found that the business was wholly or mainly one of making or holding investments and therefore BR would not be available.

On her death, Ms Tanner's estate included five self-catering holiday lets valued at £2.04 million. The properties were typically booked in one-week blocks during high season, with a four-week maintenance period at the start of the year. Ms Tanner lived in an adjacent property, which housed the business's reception, office, and garage. The office displayed opening hours.

The booking fee covered use of the property, utilities, bed linen, and towels. One property also offered bathrobes and slippers. The business employed a full-time manager, Ms Foster, and up to eight part-time staff in the high season. Although the business had a website with an availability calendar, bookings were made by phone. It did not use third-party agents or spend significantly on advertising. The accommodation was well-furnished and decorated.

Activities Undertaken

Housekeeping and cleaning were provided on handover days, with additional cleaning available for longer stays. Staff performed small tasks like adjusting heating and lighting before guest arrival. Properties were stocked with basic provisions and local information. Ms Foster, her husband, and Ms Tanner lived on-site and were available to assist guests outside of office hours, mainly with technical issues. However, there was no formal out-of-hours contact rota or manned company phone.

Executors' Argument

The executors, in their appeal against HMRC's original decision, argued that the business offered hospitality services beyond mere property rental. Ms Foster likened the service to a first-class hotel, citing staff interactions with guests, help with local arrangements, and providing transport to public transport links. It was also argued business services were provided through free Wi-Fi and occasional printing in the office. The executors stated that some guests with health issues chose the accommodation for the support services available. On one occasion, childcare was provided. However, these services were not advertised as being available and were typically offered only upon request.

Tribunal's Decision

The tribunal acknowledged that the business included non-investment activities but found they did not outweigh the investment nature of the business. It noted that the additional services were not advertised and did not justify a higher rental fee compared to similar properties in the area. The tribunal concluded that the services were not exceptional enough to distinguish the business from a standard holiday let. As a result, the business did not qualify as relevant business property and was ineligible for BR.

Implications for owners of furnished holiday letting businesses

This case is the latest in a series of cases where taxpayers have failed in their claims for BR on furnished holiday lets. Owners of such businesses should be aware of the difficulties of such claims and consider whether there are practical steps they could take to increase their chances of success.

PRIIPs changes - KIDs

Some BR estate planning services are classified as Packaged Retail and Insurance-based Investment Products (PRIIPs). Consequently, they have been required to issue a Key Information Document (KID). But concerns over the prescribed methodology generating misleading information led to the removal of performance scenarios in March 2022, as well as their replacement with a narrative description and a requirement for PRIIPs manufacturers to upgrade their product's Summary Risk Indicator (SRI) score if they consider that the risk rating produced by the methodology is too low.

There are plans to replace inherited EU regulations on PRIIPs with the Consumer Composite Investments (CCI) regime. The CCI is timetabled for implementation in late 2026/ first half of 2027, and will facilitate the FCA's intention to move from an overly prescriptive disclosure regime to a more flexible and simpler approach.

Subject to consultation, a CCI must be accompanied by a product summary (replacing the PRIIPs KID and UCITS KIID) when distributed to a retail investor. Product providers must provide the product summary along with the underlying core information to the distributors.

A distributor, such as an adviser, will have the option of creating their own product disclosures, based on the information given by the product provider. As a result, more tailored communications specifically aimed at the information needs of retail clients would be achievable (and advisers may be expected to take more responsibility for such activities).

Sustainability Disclosure Requirements (SDRs)

All FCA-authorized firms that make sustainability-related claims about their products and services, are subject to the

anti-greenwashing rule. In addition, firms managing investment products for retail investors with assets over £5billion have specific rules to comply with regarding their own and their products management of sustainability risks and opportunities under the SDRs.

As yet, though, the rules do not apply to portfolio management products and services, including the discretionary managed portfolios which make up a portion of the BR 'fund' market. The regulator has paused its plans to extend the SDR and investment labels regime to portfolio management as a result of concerns raised in consultation responses which the FCA is carefully considering. The extension of SDR to portfolio management may still take place, but there is currently no published timetable for doing so.

Private Intermittent Securities and Capital Exchange System (PISCES)

Introduced in June 2025 for a five year sandbox trial, PISCES is a new financial and regulatory framework designed to create a regulated market for trading private company shares.

Shares traded on PISCES, which is open to UK private limited companies that are privately held, among others, may qualify for some level of Business Relief. However, whether that is at the rate of 100% (as for private shares) or 50% (which applies to AIM listed shares) is unclear.

Investor access to PISCES is not available to general retail investors. But institutional investors such as those engaged in private equity and high net worth individuals will be eligible to use the system.

This may offer options to BR investment managers for liquidating positions in underlying investees or possibly to acquiring new BR qualifying holdings.



Why choose BR?

2.1

BENEFITS



Speed



Unlike gifts, BR qualifying investments are 100% outside of the IHT charge after a two-year holding period (subject to the £2.5m allowance). If investors then dispose of the investments, as long as they reinvest into new BR qualifying assets within three years, they will gain immediate BR qualification without having to restart the two-year BR qualifying period.

Access



Subject to liquidity and any fund restrictions, BR investors can exit their investment at any time to access their funds.

Growth



BR offers target investment growth typically from 2% to 5% p.a.

Simplicity



Generally, there are no medical underwriting or complex legal structures required. BR can also be an option where an LPA is in place but the client has previously expressed a desire to maximise their legacy: attorneys need the approval of the Court of Protection to make gifts, but BR is simply an investment.

RISKS



Investment Risk



Investments into unquoted small and medium-sized enterprises are always going to be deemed high risk as, statistically speaking, smaller companies fail more often than larger, more established companies. But there are no limits on the size, market cap or age of BR-qualifying companies which can include very large, well-established AIM-quoted companies, alongside sizeable unquoted trading companies run by some unquoted BR fund managers. Risk mitigation can include skilful stock selection, diversification and asset-backing to provide some capital protection, or a combination of all three. Insurance may also be available to cover a loss in value or a charge to IHT if an investor dies before the assets qualify for BR.

Liquidity



Even though ongoing access to funds is one of the advantages BR has over other estate planning options, liquidity can be limited as there is no large-scale active secondary market in unquoted shares. Managers achieve liquidity by matching inflows and outflows (matched bargain), selling assets, a share buyback, or by retaining a cash buffer as part of the service. Although managers often aim to facilitate withdrawals within weeks, this is not guaranteed. AIM quoted shares offer more liquidity, but again, speed of sale of holdings cannot be guaranteed.

Tax Risk



The main scenarios where relief could be lost are: a qualifying investee company changes its activities so that it no longer qualifies for Business Relief, the company lists on a recognised exchange, the Government changes the rules, or the investor has either not owned qualifying assets for the minimum holding period or was not holding the assets at the date of death or time of chargeable lifetime transfer.



2.2

BR and other estate planning solutions

There are other estate planning solutions which can be used independently and in conjunction with BR. Using multiple estate planning solutions may be necessary to maximise low cost and low risk options such as gifting. Using a single strategy also runs the risk of that strategy failing and the client not achieving a reduction

in their potential IHT liability. Therefore, diversifying between strategies such as gifts, trusts and BR, and diversifying between providers within these strategies, is the optimal goal. The case studies in sections 5 and 6 of this guide provide useful examples of when and how BR can be used with other IHT planning methods.

	BR	GIFTS / PETS (POTENTIALLY EXEMPT TRANSFERS)	TRUST	LIFE ASSURANCE	PENSIONS	CHARITABLE GIVING
 TIMEFRAME	2 years from the acquisition date of the shares*	Some gifts are exempt, others may be subject to taper relief between years 3 and 7 from the gift	7 years	As soon as the policy is in place	Until and including April 5 2027, as soon as funds are inside the pension as long as annual limits aren't breached (£60k p.a) From 6 April 2027, pension funds that are used or withdrawn during the pension-holder's lifetime will be free of IHT as long as annual limits on pension contributions are not breached. From April 2027, most unused pension funds above NRBs will be subject to IHT.	For a lifetime gift, as soon as the gift is made. For other gifts, on death as long as the gift is in the will
 IMPLEMENTATION AND ONGOING ADMINISTRATION	Relatively simple	Specialist advice is highly recommended	Requires relatively complex legal structures	Depends on age and health status - can be restrictive	Depends on pension arrangements. Specialist advice is highly recommended	Simple, but estate value/will must be correct
 COSTS	Varies, averages up to 3% initial fee and 1 - 3% ongoing AMC	Low, but there will be a charge for the advice	Varies, standard insurance company trusts are available free. But bespoke trusts will have solicitors fees which can be costly. For both, further costs will vary depending on investments chosen and any other services required e.g. ongoing advice.	Monthly premium or lump sum - will vary depending on sum assured, age & health	Varies, around 1% ongoing AMC + transaction costs and taxes if the pension fund buys & sells + cost of advice (This may increase when pension scheme administrators are required to provide information and assistance to personal representatives on Inheritance Tax due on unused pension funds and death benefits in April 2027)	Varies, professional valuation of estate, cost of advice and ongoing will updates
 INVESTMENT RISK	FCA considers investments into BR-qualifying shares as high risk, but risks across individual BR investments do vary depending on underlying assets/investment sector and maturity of investees	None	Depends on how assets are invested	A whole of life policy will likely have investment content so risk will vary by policy	Depends on how the assets are invested	None
 LIQUIDITY	Between <14 days and three months in normal market conditions, depending on the service. Not guaranteed	None - access and control is lost	Some access and control can be retained depending on trust structure used	Can cancel the policy, subject to costs	Access restricted until age 55 (57 from 2028 for most people)	Can rewrite will at any time
 POTENTIAL RATE OF RELIEF FROM IHT	50% or 100% (subject to minimum holding period. From 6 April 2026, also subject to whether the shares are AIM-quoted or private/asset backed and application of the £2.5 million allowance.)	100% (after 7 years)	Can be 100%, depending on the structure (after 7 years)**	No relief - just pays the bill with sum assured	100% immediately for deaths until 5 April 2027. For deaths from 6 April 2027, if no other reliefs or NRBs are available, 0%	IHT on estate reduced by 10% (to 36%) if 10% of estate is left to charity

*The test is that the company is BR qualifying at the point of transfer and that the shares have been held for two years at the point of transfer.

** Discretionary Trusts may have periodic and exit IHT charges depending on value.



Under the BR bonnet

3.1 Investment structures

Main BR investment structures

NON-AIM BR: DISCRETIONARY INVESTMENT MANAGEMENT	AIM BR: DISCRETIONARY INVESTMENT MANAGEMENT	AIM BR: DISCRETIONARY ISA PORTFOLIO.
Unquoted shares in BR qualifying companies. The investor will have beneficial ownership (via a custodian) of a special purpose vehicle (SPV), a holding company, shares in an unquoted company, or an interest in a partnership. This is not a bespoke discretionary service.	BR qualifying shares in AIM-quoted companies (about 50% to 70% of AIM companies are qualifying). Shares must be owned directly by the investor for BR qualification.	BR qualifying shares in AIM-quoted companies (about 50% to 70% of AIM companies are qualifying). Shares must be owned directly by the investor for BR qualification.
↳ Private companies (asset-backed). 100% relief available (up to £2.5m allowance with any excess at 50% from April 2026).	↳ AIM listed companies 50% relief available from April 2026. No impact on £2.5m allowance.	↳ AIM listed company 50% relief available from April 2026. No impact on £2.5m allowance.

In general, Business Relief focused estate planning services for personal client investment can be broadly split between AIM and non-AIM portfolios (those investing in entirely unlisted/unquoted usually asset backed companies) Investors must have ownership of the underlying assets: collective structures would not qualify for BR. There are two typical structures: a discretionary managed portfolio, or an investment in a single company that undertakes the underlying trades.



“Families with higher-value estates are [now] more likely to seek financial advice to mitigate their tax liabilities through careful estate planning.”

RACHAEL GRIFFIN, TAX AND FINANCIAL PLANNING EXPERT, QUILTER

SINGLE COMPANY	DIY PORTFOLIO	EIS / SEIS
Likely to be an investor with close ties with a particular company and expertise on its sector with very clear insights into its activities and prospects for continued operation. Lack of diversification increases the risk.	BR qualifying shares in AIM-quoted companies (about 50% to 70% of AIM companies are qualifying). Shares must be owned directly by the investor for BR qualification.	Shares that are eligible for the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment (SEIS). They generally qualify for BR because the investor will hold shares in an unquoted trading company. The ownership structures available match those for unquoted BR shares. Combining BR and EIS/SEIS tax reliefs in one investment is typically a riskier strategy than BR alone as there are additional qualification criteria over and above the BR qualification criteria that demand a significant risk of loss and therefore the companies tend to be smaller younger companies. EIS and SEIS tax reliefs offer 30% and 50% income tax relief respectively, 100% CGT relief, CGT deferral relief (EIS) or CGT reinvestment relief (SEIS) and loss relief. Shares must be held for at least three years to retain EIS or SEIS reliefs.
↳ Private companies (asset-backed). 100% relief available (up to £2.5m allowance with any excess at 50% from April 2026)	↳ Variable	↳ Private companies (asset-backed). 100% relief available (up to £2.5m allowance with any excess at 50% from April 2026)



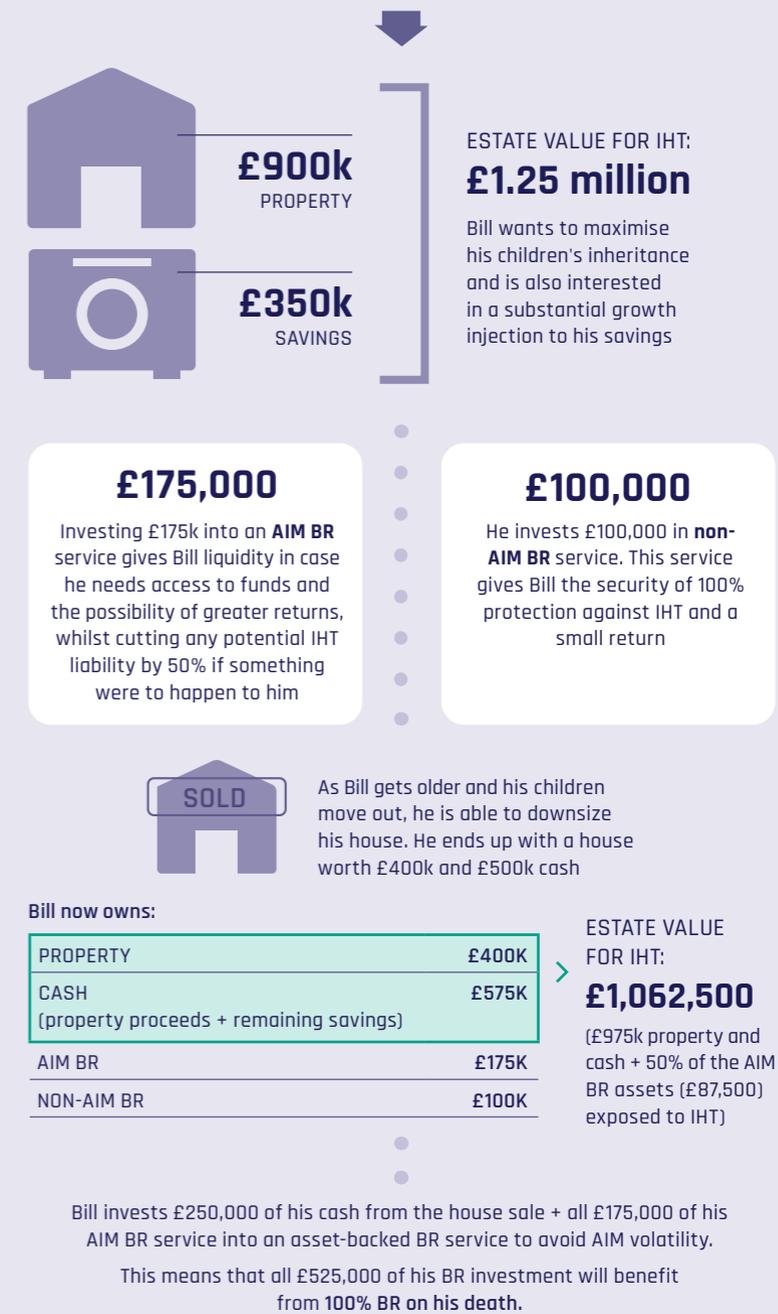
CONSIDERATIONS FOR DECIDING BETWEEN AIM AND NON-AIM BR INVESTMENTS

	Non-AIM features	AIM features
Level of relief	From 6 April 2026 BR IHT relief available drops from 100% to 50% where the combined value of BR, APR and S/EIS qualifying assets is over £2.5m per individual. The allowance is transferrable between spouses/civil partners	From 6 April 2026 BR IHT relief available drops from 100% to 50%. Value of AIM shares does not use up to £2.5m BR allowance from that date
Investment scope	Managers have flexibility in identifying suitable investment opportunities via unquoted trading businesses	Managers are constrained to investing in qualifying businesses on AIM. There are just under 600 (LSE, June 2025) firms on AIM and not all qualify for BR
Diversification	Investment is often made into one or a small number of unquoted/unlisted businesses. Diversification of trading activity and sector/asset type occurs within the investee business/es	Portfolios are typically diversified by investing into c.15-40 AIM quoted companies. AIM portfolio services generally exhibit higher sector diversification than non-AIM services
Manager control	Usually there is a management agreement in place between the fund manager and the company. There are often majority non-executive directors on the board although the BR manager will usually be represented as well	AIM quoted companies are obliged to provide regular reporting and follow governance rules, so there should be transparency, but managers generally don't have the benefit of a seat on the board
Asset security	Non-AIM investment services often target asset owning businesses or lending businesses that take security over real assets	AIM portfolios invest into growth orientated investee companies. They do not actively target asset backed businesses
Volatility	Non-AIM services generally channel investment into businesses with stable revenue streams and valuations. Unquoted/unlisted companies are not at the mercy of market sentiment and the possibility of contagion	Shares listed on AIM are subject to market sentiment and volatility
Liquidity	As shareholdings are unlisted, liquidity will be dependent upon the ability of the manager to match buyers and sellers off market, investee company cash levels and company cash flows	The AIM market provides visibility, increasing the chances of regular trading by a wider audience of investors although some of the smaller companies can experience low trading volumes

Case study: Life stages BR approach

(After April 5 2026)

Bill is 55, unmarried and has three children. He has a reasonably large estate, so wishes to begin his estate planning to ensure if something happens to him, his children will receive as much as possible.



His situation at death three years after his BR investment is:

£525,000 BR qualifying shares held for at least 3 years, so not liable to IHT, £325,000 cash not liable to IHT because of his £325,000 available NRB. £400,000 house passed to his children and against which he can claim full RNRB of £175,000, leaving £225,000 subject to IHT totalling £90,000.

3.2

AIM Business Relief reframed

The estimated value of Business Relief assets on AIM is around £6bn and for 21/22, around 40% of all estates claiming Business Relief claimed it on AIM shares, at least partially (HM Treasury). Around 20% of the value of all qualifying investments for Business Relief were AIM investments and around 15 per cent of AIM's liquidity is estimated to come from inheritance tax-focused fund solutions (Yahoo Finance).

Make no mistake, Business Relief is important to AIM, while AIM has been important to Business Relief investors.

AIM Business Relief still has useful benefits

While 50% relief is less attractive than 100% relief, some are taking the view that advisers will look at estate solutions holistically or “in the round”, targeting a blended BR solution, citing the utility of AIM based solutions that, unlike private, asset-backed BR offers, can provide daily liquidity, and compelling growth prospects which can be used as a growth booster to clients' estates.

That daily trading, along with the rarity of planning that offers 50% IHT relief is still attractive to the right clients and the exclusion of AIM shares from the calculation of £2.5 million 100% allowance give them another advantage.

Shifts in suitability considerations?

As a result of the changes in the 2024 Autumn Budget and since, many see that, the target market for AIM Business Relief investors has been “uprated” to a more sophisticated High Net Worth individual cohort and away from the broader based mass affluent market. As a result, the hurdle rate has been pushed upwards for individuals to invest in an AIM IHT service with track record, customer service and counterparty risk more relevant than ever.

For compliance teams, it's perhaps not surprising that their most comfortable position is likely to be that the first £2.5 million of most Business Relief portfolios will be invested into fully unquoted, asset backed offers. This is particularly the case in light of the last few years' difficulties for AIM, and smaller companies more widely when both have underperformed.

Budget changes adding to existing AIM issues

The changes to AIM-based BR are already having unsettling impacts on the index with 102 firms leaving AIM from December 2024 to January 2026 (LSE). While many will be positive actions that will be as a result of moving up to London's main markets or M&A, some will be de-listings and company failures.

The combined result is that AIM valuations were generally close to 10-year lows across 2025. The increase in interest rates won't have helped the popularity of equity and the speculation about the removal of IHT relief for months certainly slowed inflows. In addition, the permanent, consistent and massive outflow from UK funds to global competitors for years and years had already set a negative precedent, compounded by the selling down of AIM BR-qualifying assets after the Autumn statement announcements, hasn't improved things.

Range of risk profiles

Some industry stakeholders point out that there has been some kind of political or economic shock virtually throughout the last ten years, from Brexit to Trump's tariffs.

Where AIM is concerned, while the FCA classifies all Business Relief products as high-risk, there are variations between product types and individual offerings. So, it's worth noting that Business Relief offers, particularly those that invest in AIM shares, often target more established and stable companies, although some do back younger, potentially riskier AIM participants in search of higher returns. With the unquoted BR offerings, by contrast, managers generally target substantial asset-backing to give some security.

Reasons to be cheerful

Some Business Relief investors have continued to accept the AIM risk profile and waited to assess the future of the market before taking any action, with redemptions from AIM funds having dropped back from its peak in Q1 2025. One encouraging indication will have been the Mansion House Accord. Agreed in May 2025 and involving 17 pension providers, it is designed to unlock up to £50 billion of investment for UK businesses and major infrastructure projects, with part of this plan to focus on revitalising the AIM market.

Some are seeing other early signs of recovery and this could make AIM attractive to experienced investors comfortable with the higher risks, looking to bag a bargain. Of course, a recovery could take time, so advisers should also consider how long they and their beneficiaries are likely to keep the money invested.

Retaining AIM BR investments

A few of those who remain invested in AIM may be doing so because they have already used up

their £2.5 million allowance in unquoted, private, asset-backed BR assets. In this case, there is an equalisation of the IHT relief available for asset-backed BR investments and AIM quoted BR investments at 50%.

In other cases, there may also have been a reluctance to exit an AIM portfolio at the same time as everyone else in order to avoid delays in accessing funds due to liquidity issues and a depressed exit value, if more people are looking to sell those shares than buy them.

Others may be buoyed by the fact that holding BR-qualifying AIM shares in an ISA remains the only way to plan for IHT while also benefitting from lifetime tax breaks on income and gains. This combination of partial IHT relief, ISA compatibility and access to high-growth companies will continue to present a compelling opportunity to advisers and their clients.

It had been hoped that there might be the possibility of holding BR shares (AIM or unquoted) in SIPPs and retaining the BR benefit, to help offset the change in rules that will apply IHT to pensions from April 2027. Unfortunately, with the publication of the draft legislation in summer 2025, this has been definitively ruled out, with a clause being inserted to prevent any BR qualifying assets from gaining the BR relief when the assets are held in a pension wrapper

Switching between AIM BR and asset-backed BR: Replacement property rules

For those AIM BR investors who have already sold down their AIM shares or who are going to, Business Relief has a mechanism – replacement relief – which allows investors to shift between Business Relief qualifying assets without having to restart the two-year clock on their minimum holding period.

Under the Replacement property rules, a

business could be sold and, provided the proceeds are reinvested in BR-qualifying assets within three years, none of the previous acquired holding period is lost and the new assets gain BR qualification immediately. These rules also apply to allow a fund manager running a BR qualifying portfolio to switch clients from one AIM or non-AIM stock to another, or clients to switch their strategy from growth to income or to change manager. This allows investors a lot of flexibility once they have passed the two-year qualifying period.

For those who have, or intend to sell down AIM stock, there should be consideration of the time out of the market when they are not holding any Business Relief qualifying shares. So, if a person dies holding cash from the sale of a BR qualifying asset (i.e. before reinvestment) that cash does not qualify for BR. Consequently, it's important to minimize cash holding periods where possible, particularly as a large portion of Business Relief shareholders are in their late 70s, or 80s.

There is some contention over how the rules will apply if an investor sells AIM quoted shares before 6 April 2026 and then passes away after 6 April 2026

Section 107(2) of the Inheritance Tax Act 1984 appears to limit the amount of BR to what would have been available had the replacement not been made.

There is no dispute over the period between the sale of the AIM shares and 6 April 2026, where 100% relief would be available were the client to pass away during this period.

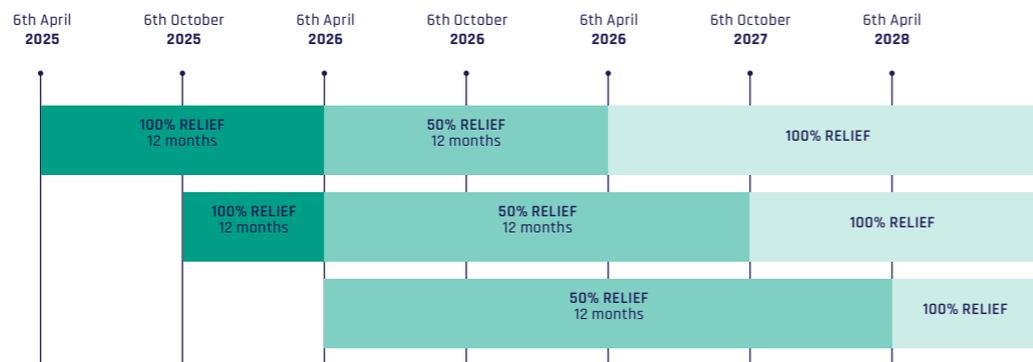
But for the period between 6 April 2026 and the elapsing of the two year clock on the new investment, there is some dispute. Specialist BR Investment managers, including TIME Investments, have sought and received tax opinions on this, and a number of them confirm that for the latter period, only 50% relief would be available as that is the relief that is available on AIM shares at the date of death.

For example, for a client that moved their AIM portfolio on 6 April 2025, there would be 12 months, until 6 April 2026, where on death 100% relief would be available, and then 12 months, until 6 April 2027, when the new asset qualifies under its own two year clock, that only 50% relief would be available on death.

The counter to this, where at least one manager has also had an opinion, is that the test is based on what would have been available at the date of transfer, not the date of death. So for transfers until 6 April 2026, 100% relief would be available throughout the initial two year period, as that is the relief available to AIM shares up to 6 April 2026.

There is no contention for transfers post 6 April 2026, where relief will be restricted to 50% for the initial two year hold period.

AIM TO QUOTED REPLACEMENT: TIMELINES



**Case study:
REPLACEMENT RELIEF**

Dawn is 65 and has been running a business for many years. She sells the business for £10m and unfortunately passes away 18 months later.



Assumes Residence Nil Rate Band (RNRB) / Nil Rate Band (NRB) already used up



Potential capital gain when the business is sold, but as this example focuses on IHT and BR, it has been disregarded in this instance.

*As Dawn's business was BR qualifying at sale, the replacement relief rule applies and therefore she just needs to ensure that the reinvestment happens within three years of the original sale.

BR rules change in April 2026

As death occurred after April 2026, only first £2.5 million of value in the company gets BR at 100%, with the remainder at 50%.

If Dawn were to die while the proceeds were in cash, there would be an IHT liability on the proceeds, so she should be looking to minimise the period the proceeds are uninvested.

AIM BR provider scrutiny

One thing seems to be certain – that advisers will be even more diligent in only providing capital to those providers with a demonstrably strong track record. That's because performance is even more important in the context of IHT relief at 20% rather than fully relieved, with investors looking for the performance payoff that could potentially mean they recoup that 20% IHT and add growth beyond it.

In fact, in the past some have been guilty of using AIM primarily for the 40% IHT relief, accepting less than impressive portfolio returns because the overall effect was positive. Now they need to be a lot more interested in the sort of long term returns the AIM manager is generating.

SPECIALIST AIM BR MANAGERS SEEK TO OUTPERFORM THE MARKET

An investment manager must be able to show that it can outperform AIM to a significant extent. TIME Investments has fused a methodical and analytical approach to identify a subset of AIM companies, which it calls the 'investible universe' which historically achieve an average return on capital of about 17%. This reflects the longer term underlying return credentials that AIM companies can achieve, albeit the share price of those companies often doesn't reflect the underlying value growth, which is one of the significant challenges in the current uncertain market, but could also be an opportunity, were a price correction to occur.

According to Raymond Greaves, head of equity funds at TIME investments, "if we look at the main market in the UK and find similar companies of similar sizes, the average return is 15.5%. So, the investible AIM businesses have better returns on average, better growth prospects – forecast profit growth over the next couple of years is about 11.5% whereas on the main market it's 7.5%. This shows that AIM has some higher quality and growth businesses trading at similar valuations to similar businesses on the UK main market. I think that's largely missed." They are also significantly undervalued.



Thought leadership

PRESSING THE RESET BUTTON ON ESTATE PLANNING - PREPARING FOR 2026 AND BEYOND

SIAN DAVIES COLE, FOUNDER AND PARAPLANNER, SNAZZIFY

The Autumn Budget 2024 made many Financial Planners stop, take a breath, and think ‘How do I handle THIS?’

With major changes to Business Relief (BR), particularly around AIM shares, and pensions coming back into estates on death, the estate-planning landscape is shifting dramatically. It’s not just about new planning; we must also reassess existing planning.

What’s changing?

From April 2026, AIM shares will no longer qualify for 100% BR, dropping to 50%. Unlisted investments will still receive 100% relief but with a £2.5m cap per individual. This significantly affects clients with AIM portfolios and those with holdings in businesses, farms, and unlisted enterprises.

AIM portfolios have been central to many IHT strategies. So, how should we approach clients who already hold them?

STEP 1: REVIEW THE INVESTMENT

We’ve always said ‘Don’t let the tax tail wag the investment dog.’ AIM portfolios were only suitable for clients with significant investable assets, investment experience, and a real IHT problem.

Start by reviewing the current AIM portfolio — cost, performance, and risk — against peers. I complete a whole-of-market review of AIM portfolios used for estate planning. This will lead to two possible outcomes:

- The portfolio looks good relative to its peers – this builds a case for keeping it but doesn’t automatically justify it. Future volatility, investor exits, and company delistings are real risks.
- The portfolio looks poor – in which case, exit makes sense.

If the AIM shares have qualified for BR for at least two years, you may be able to reinvest in a qualifying unlisted BR investment and retain that status.

STEP 2: ESTATE PLANNING FROM SCRATCH

It’s worth resetting the whole process. Ask clients basic but powerful questions:

- Who do you want to benefit from your wealth?
- What legacy do you want to leave?
- How is your Will structured?
- How do you feel about paying IHT?
- Would you give wealth away in your lifetime?

These conversations help reframe planning with new clarity alongside doing a new IHT calculation — both with and without the 2026 and 2027 changes — to show the impact.

One key concern when exiting AIM is the gap between encashment and reinvestment. If the client dies in that window, BR could be lost. Plus, there’s always the risk of future changes to unlisted BR rules.

STEP 3: NEW SOLUTIONS FOR AN AGE-OLD PROBLEM

The four main tools for reducing IHT remain:

- Gifting (directly or via trusts) & using allowances
- Whole-of-life assurance
- BR (likely focused on unlisted now)
- Spending

Research into BR solutions is more important than ever, especially around liquidity, returns, experience, and “successful deaths”.

Final thoughts

Estate planning is a deeply emotional part of financial planning — clear, confident communication matters more than ever. Focus first on clients with AIM exposure so you can build the right strategy with plenty of time.

3.3

Corporate BR solutions

Most small businesses are outside of the Inheritance Tax charge because they qualify in full for BR. Of course, this will change from 6 April 2026 when 100% relief will be capped at £2.5 million. As a result, many family and small business owners (not just farms) will find themselves over the £2.5 million cap because their company is of a higher value. Any excess will have its IHT relief cut to 50%, so business owners and their advisers will need to consider how they might mitigate this new liability and/or how they will pay it.

Excepted assets, including excess funds held as a buffer to protect against unexpected events will continue to be disqualified from BR qualification. However, there is an option to invest those assets into BR-qualifying shares.

Trading partnerships

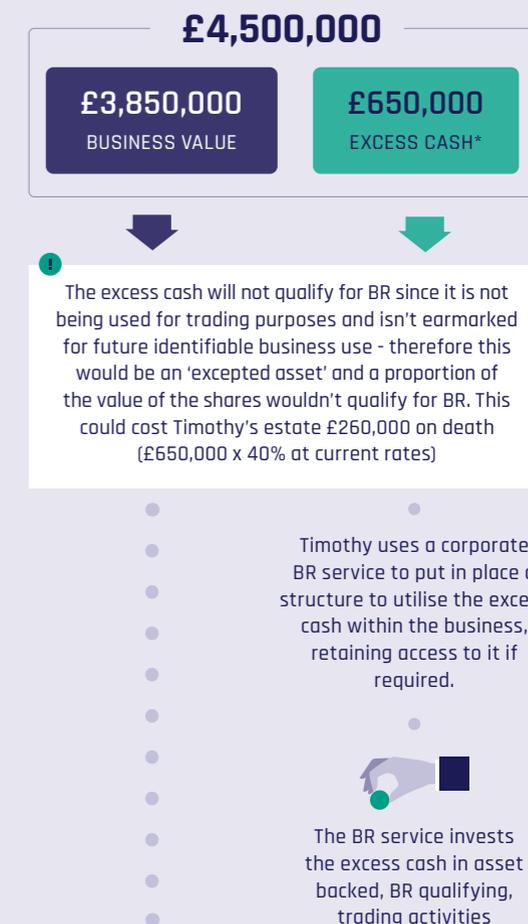
Some managers offer services that address the issue of excess non-trading assets within a business by utilising the surplus cash in BR qualifying investments. This means that BR and, in some cases, entrepreneurs’ reliefs can be reinstated but the business can still access these funds should it need to (subject to the liquidity of the underlying investments).

Most providers operate a structure whereby the corporate client becomes a partner in one or more limited liability partnerships (LLP) that carry out qualifying trades.

It is important to ensure that the LLP is actually carrying out the trade itself, rather than through a subsidiary. For example, if a trading partnership were to own an interest in a trading company, rather than operate the trade itself. BR qualification could be lost.

Case study: EXCESS CASH IN TRADING BUSINESS

Timothy, 64 and in good health, owns 100% of the shares (unquoted) of a successful grocery shop that has been in his family for generations.



Since the original grocery business is BR qualifying, the new assets should immediately qualify for BR. From April 2026, the first £2.5m of shares would qualify for 100% BR. The remaining £2m of BR qualifying assets would qualify for 50% BR, meaning £400,000 IHT would be due on Timothy's death (£2m x 20%). When he retires, this investment could also continue to pay his dividends to supplement his pension or he could sell the business and benefit from replacement relief by investing the proceeds into another BR qualifying business, perhaps with higher dividends or growth.

*Derived from the sale of commercial premises that the business no longer uses. (The building was sold without a capital gain, so no CGT is payable.) This cash is not required for acquiring stock or to meet the running costs of the business and there are no plans to use it for any kind of future expansion or other business purpose.

3.4

Underlying asset sectors

By and large, AIM focussed BR offers are generalist, allowing them the full scope of AIM-quoted, BR qualifying companies.

In the unlisted world, more managers are specialists. Specialists can leverage many years of relevant experience to find good value deals. They can also use their experience to help guide investee companies and they can afford to manage a smaller portfolio more closely to ensure it remains within the BR qualifying rules.

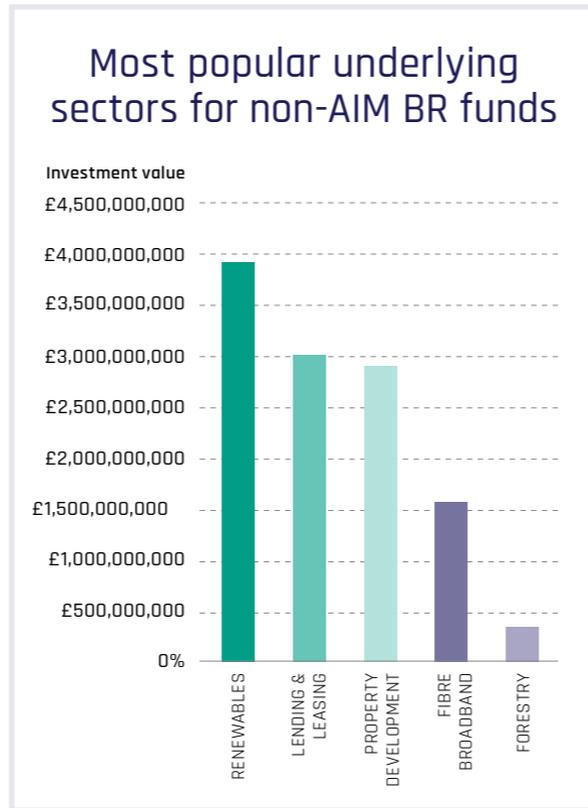
Here, managers can seek out asset-backed sectors that are uncorrelated to main markets and provide relatively predictable return streams – typically 3-4% per annum.

It is easier for managers to have influence on unlisted investee companies, and ensure investor's interests are looked after. On the downside, it will inevitably be harder to measure the performance of unlisted shares and valuation will be less frequent and may be more subjective.

BR managers look for sectors with assets for which there is a demand and which generate returns, whether or not they are held within a BR wrapper.

The most popular sectors are those that benefit from defensive qualities along with having little correlation to the main markets.

Renewable energy is notable here in that it is crucial to net zero, which has been called the growth opportunity of the 21st century. In addition, it remains a BR qualifying activity that benefits from predictable, long-term revenue streams.



SOURCE: MICAP, MAY 2025

SECURED LENDING

This is an attractive trading opportunity because it can offer predictable, contractually agreed returns, risk mitigation by holding a first charge or real-assets against each loan and plenty of scope for diversification across loans. For BR managers like TIME Investments, this involves financing to property developers to fund new projects, typically for the construction of apartment or housing developments in established towns and cities. It also encompasses funding for existing, operational asset-backed business or infrastructure projects, such as hotels or care homes, to fund expansion, renovation or to refinance more expensive construction debt. Drivers of this trade include shortages in UK housing stock and the preference of many property developers for specialist lenders. This is certainly a specialist sector and BR managers undertaking the trade should have an experienced lending team and clear lending criteria which can vary from cautious to rather more risky.

3.5

Liquidity management in BR investments

Investors need to be holding BR qualifying shares at death in order to benefit from the relief. So, while two years is the minimum holding period to qualify, the reality is that the investment horizon is likely to be longer. But our immediate financial needs have become more unpredictable. While BR offerings can be a solution to the vulnerability of cash to both inflation and IHT (through growth potential and tax relief on offer), the liquidity provisions allowing access to capital invested should be carefully examined. BR services generally offer access to invested funds within a 14 days to 3 months timeframe depending upon the service. But this is a target, rather than a guarantee. Whatever the quoted withdrawal timeline, BR managers should have robust liquidity strategies in place.

TIME:ADVANCE LIQUIDITY PROVISION CASE STUDY

TIME:Advance invests in one or more portfolio companies, for example Elm Trading Limited which operates various trades through underlying subsidiaries.

TIME:Advance has several layers of liquidity provisions aimed at facilitating its target withdrawal timeline of 14 days. Under normal market conditions, the buffer provided by the regular income streams in levels 1 to 3 (see liquidity case study opposite) has been very successful in meeting withdrawal requests, including some very sizeable ones within a two week period. However, the liquidity timeline is not guaranteed and investors should look to hold for the long term.

TIME:Advance liquidity case study

1. In the first instance, TIME seeks to meet any withdrawal request by a sale of the exiting investors' shares to incoming investors. This is a fairly typical approach for an unquoted BR service. TIME:Advance has a strong track record of fulfilling withdrawal requests within 14 days, partly due to its strong investment inflows.
2. If there are insufficient incoming investors to meet withdrawal requests, TIME will seek to facilitate an exit through the cash reserves of Elm Trading Limited. TIME employs an active cash management approach sustained through the income generated by the businesses owned by Elm Trading. It continually monitors cash reserves and its investment criteria focuses on cash generative sectors to assist with liquidity provision. Self Storage, Property Lending, and Renewable Energy each have fairly predictable income streams.
3. Withdrawal requests (that cannot be met by a sale of the investor's shares) in excess of Elm Trading's income and cash reserves will likely be met on the maturity of one or more loans made by Property Lending, rather than a sale of assets from the other subsidiaries. Property Lending's loan terms are typically from 2.5 months to 33 months in duration, and mature at staggered intervals throughout the year. Property Lending should therefore be in a position to regularly provide a source of liquidity for TIME:Advance.
4. Many of the underlying subsidiaries directly own physical and illiquid assets. These assets could be made available for sale in the event of a significant run of redemption requests although this would likely take time to achieve.

Investment in TIME:Advance involves the issuing of shares in unquoted company(ies). There is no market for these shares and whilst TIME would normally expect to provide liquidity within two weeks, there is no guarantee that this will always be possible. Investors should treat an investment in TIME:Advance as medium to long term.

3.6

Transferring BR-qualifying assets

➤ **Transfer by way of gift:** For a gift over the value of the available NRB to be fully exempt from IHT as a PET (Potentially Exempt Transfer), it must be transferred to the beneficiary at least seven years before the death of the donor. Technically, if the donor dies within seven years of gifting the BR investment, it is a failed PET. But, if the gift is in the form of a BR investment that has been held for at least two years by the donor, and it continues to be held by the recipient until the earliest of the donor's death or seven years, the gift will benefit from 100% IHT mitigation.

- **New rules from April 2026:** If the donor of a BR-qualifying lifetime gift dies after 6 April 2026 having not survived for seven years after making it, the gift will utilise the £2.5 million Individual Allowance and if it is over £2.5 million, the excess will receive 50% BR. If the donor has benefitted from the transfer of some unused BR allowance from a deceased spouse, then the amount that can be gifted before the 50% rate comes in will be higher. If they do survive for more than seven years, the allowance will not have been utilised – the gift qualifies as a “successful PET”. If the donor makes any PETs during the transitional period and dies before 6 April 2026, the new rules do not apply to the PETs.

Failed PETS: For the purposes of the RNRB, failed PETs are not added back into the estate and any taper relief gained by way of the failed PET reducing the estate value below £2 million is retained. (£1 of RNRB relief is lost for every £2 estate value above £2 million)

➤ **Transfer into trust:** When BR qualifying assets (having been held for at least two years by the settlor) are settled into a discretionary trust during the settlor's lifetime, the potential lifetime charge to IHT

(usually 20%) is reduced to zero. Holdover Relief could be utilised in conjunction with BR here to defer any CGT otherwise arising on the gift of the shares into the trust. The shares still attract IHT relief at 100%, even if the settlor doesn't survive seven years. But, if the shares are subsequently sold by the Trustees and the settlor dies within seven years, the original transfer into the discretionary trust will become chargeable.

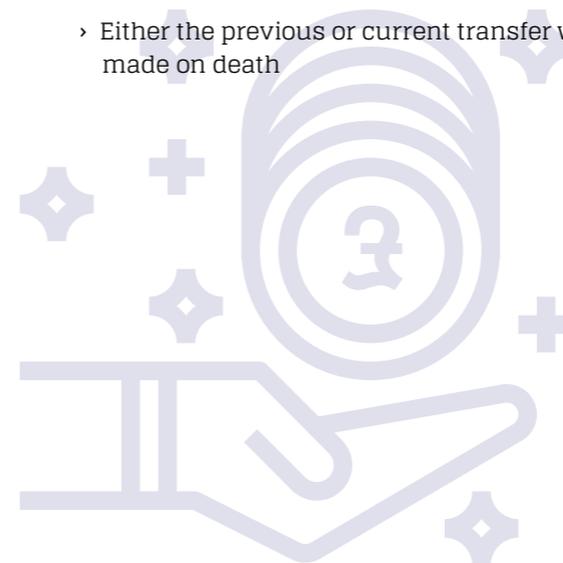
- **New rules from April 2026:** BR-qualifying transfers into trust made after 6 April 2026 will utilise the individual's £2.5 million allowance on settlement reducing the 20% charge to nil. The 20% charge to IHT will be 10% where the value exceeds £2.5 million (or £5 million where two allowances are available). Those made from 30 October 2024 to 5 April 2026, to an unlimited value, can be settled into trust and benefit from 100% IHT relief on the 20% chargeable lifetime transfer charge provided the settlor lives for seven years after the transfer and that transfer will not be included in the calculation determining the availability of the £2.5m allowance for future chargeable transfers of qualifying property. But, if the settlor dies on or after 6 April 2026 and within seven years of making the transfer, the value of any property transferred into trust during the seven years before death will be subject to an Inheritance Tax charge at 40% in the same way as a failed PET. The settlor's £2.5 million available allowance will apply to these transfers of qualifying agricultural or business property and will reduce the allowance available on any later chargeable lifetime transfers or on death.

Trusts settled before 30 October 2024 will have their own £2.5 million allowance when looking at 10 year anniversary and exit charges. The allowance is divided

between trusts where a settlor sets up multiple trusts on or after 30 October 2024. For those Trusts created before the Budget on 30 October 2024, from 6 April 2026 the new rules will apply on 10 year anniversary charges and exit charges so that 100% Business Relief applies to the first £2.5 million (excluding AIM shares which only qualify for 50% Business Relief) and thereafter only qualify for 50% Business Relief. If there are multiple exits during a 10-year period, then the relief is applied cumulatively. For example, if the first exit uses £250,000 of the £2.5 million allowance, then 100% relief can then be used against the next exit charge up to a value of £2.25 million and so on until the next 10-year anniversary.

➤ **Transfers benefitting from relaxation of the two year holding period ('successive transfer relief'):** In the following specific circumstances (where a piece of legislation that 'relaxes' the two year ownership rules applies), Business Relief is still available if the transferor can not fulfil the two year ownership criteria, if:

- They acquired the qualifying assets by gift, and
- When they acquired the qualifying assets, the assets were eligible for BR, except for the ownership period requirement, and
- Either the previous or current transfer was made on death



➤ **Upon the death of an investor** – options include encashment or share transfer:

- **Transfer to surviving spouse:** Where the individual is married or in a civil partnership, if they arrange for their shares to pass to their spouse or civil partner on death (inter-spouse transfer), this transfer will be exempt from IHT. In addition, the survivor will be treated as having held the shares from the original date of investment, rather than the date of death. In other words, the two year period only has to be satisfied by a period of ownership between spouses or civil partners. (This does not apply to a lifetime transfer of BR qualifying shares.)
- **Transfer to non-spouse:** Assets not covered by the NRB, RNRB or other IHT relief (such as BR) are subject to IHT at the rates applicable at the time.
- **Encashment:** Proceeds of the sale of the BR-qualifying shares are paid to the executors for distribution to estate beneficiaries (which could include a will trust for future protection purposes).
- **New rules from April 2026:** Where the beneficiary is not the spouse or civil partner, if the value of the encashed BR-qualifying shares is above £2.5 million (or up to £5 million if there is any transferred BR allowance from a deceased spouse), IHT at 20% on the excess must be paid using the estate's funds as part of Probate. Once these are settled, the remaining estate is distributed to the beneficiaries on a pro rata basis, according to the will.

➤ **On the death of the investor:** The payment of cash proceeds to executors or the transfer of shares takes place once Probate has been granted.

- **New rules from April 2026:** Where the beneficiary is not the spouse or civil

partner, if the value of the transferred BR-qualifying shares is above £2.5 million (or up to £5 million if there is any transferrable 100% BR allowance is available), IHT at 20% on the excess must be paid by the beneficiaries on a pro rata basis, according to the will.

- › **The exception to this** is when the executors request that the manager sells the shares to pay proceeds directly to HMRC to settle IHT liabilities on an estate. This is known as the Direct Payment Scheme and form IHT423 is used by the executors. Note, not all BR providers will facilitate this.



- **Transfers from deceased's pension:** From April 6 2027, personal representatives will be liable for reporting and paying any Inheritance Tax due on unused pension funds and death benefits. This will reduce the inheritance received by beneficiaries. Personal representatives will need to collect and share information from all the deceased's pension schemes and pension beneficiaries. They already need to contact all the pension schemes, but will now need to collect information if needed for filing an Inheritance Tax account. This measure will require personal representatives, to report the amount of tax attributable to each pension scheme.

Beneficiaries may need to make choices about how and when Inheritance Tax should be paid on their benefits.

IHT due on pension funds can be paid from the free estate by the personal representative, pension beneficiaries can ask the pension scheme administrator to pay, or pension beneficiaries take their pension benefits in full and pay inheritance tax directly.

As announced in the 2025 November budget, personal representatives can ask pension providers to withhold and pay up

to 50% of a pension direct to HMRC to meet an IHT liability. The liability has to relate to the pension specifically.

If the pension scheme administrator does not pay the inheritance tax on behalf of the beneficiary, the beneficiary may pay income tax on the benefits received and may need to contact HMRC for a refund. (see page 17 of this guide for more info).

Direct Payment Scheme

In order to accept instruction to make payment direct to HMRC in settlement of IHT liabilities, BR managers that facilitate the Direct Payment Scheme, such as TIME, require as a minimum: formal instructions from the executors of the will; proof of death; proof of identification of the executors of the will; and a completed original IHT423 form. These requirements vary. Executors will also need an IHT reference number from HMRC at least 3 weeks before a payment is made.

CGT

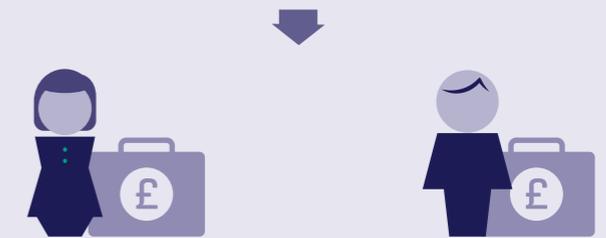
Where an individual makes a gift of assets during their lifetime, they make a chargeable disposal of those assets. If the BR shares have increased in value during the period of ownership, the gain will be subject to CGT at the individual's marginal rate. By contrast, if assets are retained until death, their value will be rebased for CGT purposes, so that recipients of the deceased's assets receive those assets at the current market value, tax free.

From April 2026: "Where assets qualify for APR or BR, even if an estate is above the new shared cap, it is likely that the effective IHT tax rate is below that for CGT, therefore there would still be a tax benefit from holding assets to death." (HMRC).

Case study: Transfer of BR-qualifying shares

(After April 6, 2026)

Rob acquires £400,000 of BR qualifying shares in a fast growing company, however he dies within a year.



He passes these shares on to his wife Jen who also holds £500,000 of BR-qualifying shares.

Although he hadn't held these shares for two years at the point of his death, as he was married to Jen, no IHT is due.

Jen holds the shares for a further three years before passing away unexpectedly, leaving the shares now valued at £1m to Richard, their adult son. Richard, 40, is wealthy in his own right, with an estate worth £1.5 million, and in good health. These new shares will lift him into the RNRB taper.

Richard therefore has a number of options:

- » **TRANSFER THEM INTO A TRUST.** Removing them from the estate (thus avoiding the RNRB taper). However, there may be new costs for setting up a trust if one doesn't already exist. Also, if the value of the BR shares grows, he will be subject to a 10 yearly fee and exit fee equal to 50% of the 20% IHT rate on any value over £2.5m.
- » **HOLD ONTO THEM.** The shares would remain accessible should he require them but his estate would not qualify for the full RNRB. If he were to pass away within two years, successive transfer relief would apply, meaning the shares would still benefit from BR even though he had not held them for two years. Once the two years is up, the shares would qualify for BR in his name, without the need for successive transfer relief, although he would still lose some of his RNRB through the taper.
- » **ENCASH THEM.** Proceed with the sale of the shares. Although no IHT will be due, CGT may be due if the shares have gained value since the death of Jen.
- » **GIFT THEM TO HIS CHILDREN AFTER 2 YEARS.** He would lose access to the shares altogether, but as long as the children did not sell the shares for a further seven years, they would not need to pay IHT, regardless of whether Richard survived that long.

If Richard had received cash proceeds from the sale of the shares during the lifetime of Rob or Jen, this would have been a PET and there may have been CGT to pay on any gain. If there was no need for cash, Rob or Jen could have instead gifted the BR qualifying shares to their son, potentially maintaining BR qualification if the gift becomes a failed PET and using Holdover Relief to defer any CGT liability.

3.7

Suitability considerations

If individuals are looking for income to maintain their lifestyle, to continue growing their funds or just to stave off the corrosive effects of inflation on their capital, and they are sophisticated enough to understand the investment, there is a case for using BR services.

The advice relies on two important elements:

- Ensuring that the client fully understands the risks involved.
- Ensuring that the tax tail, in this case BR qualification taking the investment outside of the charge to IHT (for the first £2.5m from April 2026 and 50% relief thereafter), does not wag the investment dog.

In short, the client must be suitable for the investment itself. Advisers have to assess if, for the clients they have in mind, the advantages of BR outweigh the additional investment risk that is associated with investing in BR qualifying assets. In most cases BR should not be used exclusively. Gifting should be maximised where possible, and a mixed strategy would make sense for most estates.

Nevertheless, there are a few scenarios where BR is probably going to be the only possible solution. Poor health, excess capital within a business and power of attorney scenarios are three examples where BR investment services look like a better bet than traditional estate planning tools.

From April 2026, when assessing whether BR is suitable for a client, advisers must also consider what portion of their estate will qualify for 100%, how much is exposed to 50% BR and whether another solution could address that.

Case study:

COMPATIBILITY WITH POWER OF ATTORNEY

Elena, an elderly lady with an estate worth £770,000, has lost capacity and is unable to administer her own finances, but she has always wanted to pass on as much of her wealth to her children as possible.



Elena's estate:	
PROPERTY SHE LIVES IN	£300K
+ CASH	£200K
SHARE PORTFOLIO	£270K
	£770K



Yogi, Elena's old business partner, is the attorney for her Lasting Power of Attorney (but not a beneficiary of her will)

When looking at IHT planning for Elena's estate, Yogi must ensure that any investment decisions are made in Elena's best interests and won't disadvantage her, for example, by making her money inaccessible (e.g. by making large gifts). This is not the case with BR although he is careful to check she has no other BR qualifying assets that could take her over £2.5m and generate 20% IHT liability on the excess.

After consulting his adviser, he invests £100,000 of Elena's cash and £170,000 of her share portfolio (a total of £270,000) into BR qualifying investments without the need for underwriting or a medical. The full NRB of £325k and RNRB of £175k are available to Elena, mitigating IHT on her remaining £500k estate.

✓ BR qualifying	2 YR
Tax Saving No planning: IHT bill = £108,000 Planning using BR: IHT bill = £0	

Suitability considerations: Memory joggers

Remember, the Consumer Duty enhances the responsibilities of all parties in the distribution chain here. Not only do they have to consider whether BR and individual BR offers can meet the objectives and needs of clients to provide the best outcome, but they need to ensure the client understands why the recommended course of action is the most suitable. The final rules published in Policy Statement PS22/9 state: "Retail customers may find it more difficult to assess the features, suitability or value offered by more complicated products. Long-term products where the outcome is not easy to predict, or non-standard charging structures, or other features which may not be easy for retail customers to understand may require greater care from a firm to promote, monitor and support consumer understanding;"

What family circumstances need to be considered?

Is the client married or in a civil partnership? (IHT is not payable on any inheritance that a person leaves to his or her surviving spouse or civil partner and gifts between a husband and wife, surviving spouse, or civil partners are also exempt from IHT (assuming both spouses or civil partners are UK domiciled)). Does the client have direct descendants (e.g. stepchildren, adopted or foster children, grandchildren)? Has there been a spousal death, so might there be unused spousal allowances available?

What is the attitude to risk and capacity/ tolerance for loss?

Does the investor (or all of the company stakeholders) understand the risks, including the potential for the loss of the capital allocated to BR – do they have previous investing or business experience? Would loss of their investment have a materially detrimental effect on the client's lifestyle, business (in the case of corporate BR) and/or how much they want to leave to their beneficiaries?

How much does the client require the tax mitigation?

Has the client made a will and, if so, is it drafted to take advantage of the RNRB? Have gifts, NRB and RNRB already been used? Are other options providing the desired level of IHT mitigation? Are speed of qualification and flexibility factors? For corporate BR, are there excepted assets in the business?

Does the client require access to their funds and if so, how urgently?

Every IHT planning solution will involve some degree of illiquidity, so it is important to ensure that there are sufficient liquid funds available to meet withdrawal needs. BR may be a part of this strategy in a balanced portfolio with a range of liquid and not-so-liquid assets.

Age of the client and beneficiaries?

Are there concerns about the client's health and limited life expectations? Are the beneficiaries old enough for immediate access to any inheritance?

Is there an LPA in place?

Did the donor express wishes for the tax-efficient transfer of their assets to their beneficiaries before their incapacity?

How balanced is the existing client portfolio?

Investors should not be overexposed to high risk investments, illiquid assets or unquoted securities. The risks and disadvantages of BR qualifying shares should be more than offset by the rest of the portfolio.

Do the clients have any vulnerability issues?

Do their age, physical or mental health, disability, poor literacy, caring responsibilities, stress or the effects of life-changing events require additional levels of care and consideration?

Does the client have any investment objectives beyond reducing their exposure to IHT?

Is the client looking for a growth component or to achieve impact or ESG goals?

Size of the estate?

Is there a good reason to substantially reduce the estate value? Is there time to wait for BR qualification before moving assets into a trust?

Types of clients who might consider investing in a BR service



1.

Too late for gifts and trusts too complex

At 89, Sarah is frail and wants a quick and simple solution to a large IHT liability. She adores her great grandchildren and wants them to flourish.

An unquoted BR investment should be IHT exempt in just two years, has no age limit, decent growth prospects should her grandchildren/great grandchildren choose to keep it and lowers her IHT liable estate enough to render it below the NRB.



2.

Business owner looking to retire

Concerns over the business losing value as he ages but wants to retain IHT relief on the company and safeguard his children's inheritance.

Sell the business and invest proceeds into BR qualifying assets, taking advantage of replacement relief rules for immediate BR qualification.



3.

A retiree looking for investment income, diversification and IHT mitigation

He has a residence, pension and some other investments. He lived well during his working life and wants to maintain his standard of living throughout retirement and retain control of his assets.

Transfer some of his other assets into an AIM-quoted BR service. He can take a regular dividend and/or request regular withdrawals (with a potential CGT liability).

From April 2026 his AIM shares will only qualify for 50% BR but he likes the growth potential available.



Research and due diligence

The Consumer Duty requires advice firms to consider what their target market is. That means, when looking into potentially appropriate product recommendations for clients, advisers need to obtain a manufacturer's target market documents as part of their due diligence. That target market should match up with the target market the adviser is advising in.

To understand if your client has estate planning needs, you'll need to understand how their estate

is structured, how they wish to distribute it under the terms of their will, and then work out if there is likely to be an IHT liability.

Given that NRB and RNRB thresholds continue to be frozen, BR allowances have been cut and most significantly pensions, which contribute over a third (35%) to UK wealth, are being brought into the IHT net from April 2027, IHT liabilities are forecast to increase in both value and number sizeably over the next 5 years.

Key foreseeable harms considerations

The Consumer Duty rules around avoiding causing foreseeable harm mean that advisers must identify any ways in which a harm might arise and check that there are appropriate mitigations in place.

Advisers need to understand how each investment manager delivers this kind of service and how it works in practice in a way that satisfies the FCA.

Some of the key questions to ask a provider in this area include:

What are the key risks the manager would draw to the attention of a client?

To what extent might it be possible to take account of an individual client's requirements in constructing a portfolio, e.g. ethical or ESG criteria, income focus, or usage of the CGT allowance?

How many portfolios have been reviewed and settled by HMRC on a transfer? What was the success rate in BR qualification and has the manager made any changes following those reviews?

How many stocks might a typical portfolio hold? What limits might be applied in terms of numbers of stocks, maximum exposure to any one stock, etc?

How does the manager validate whether a particular shareholding would qualify for BR? Do they use external consultants to review stocks before acquiring them?

How does the manager monitor holdings on an ongoing basis to make sure they still qualify?

How quickly might monies be invested? (To understand when the two-year minimum ownership period would start)

What challenges and constraints might the manager typically meet when investing funds for a new client, or in managing existing holdings (e.g. availability, liquidity, suspensions, delistings, M&A, etc). What is the manager's approach to managing these?

IHT Calculation tools

One useful tool to assist you with this is the free IHT liability calculator provided by TIME Investments at <https://www.ihtcalculator.com/>

HMRC also provides various IHT tax calculation tools at: <https://www.gov.uk/guidance/hmrc-tools-and-calculators#inheritance-tax>

4.1 Key comparisons in Business Relief services

There are some key areas that advisers should look into to facilitate comparison of Business Relief planning services and their providers. What follows is a list of the important considerations.

- RISK RETURN PROFILE
- THE FIRM'S TRADING AND INVESTMENT RECORD
- BR SERVICE T&Cs
- GEARING
- LEVEL OF DIVERSIFICATION
- LIQUIDITY
- EXPERIENCE OF THE TEAM/SPECIALISM IN BR
- RISK MITIGATION AND MONITORING
- INVESTMENT PHILOSOPHY
- DEAL FLOW

EVIDENCE OF MEETING CONSUMER DUTY REQUIREMENTS

We are now over two years into the application of the Consumer Duty, so it's a good idea to check how the Business Relief managers you are considering for your client's money are complying with its requirements.

You should expect at the outset to be seeing good detail about what support you and the client can expect from the manager over the lifecycle.

The Consumer Duty requires a manufacturer's board, or equivalent governing body to review and approve an assessment annually of whether the firm and its products are delivering good outcomes for its customers which are consistent with the Duty.

Ask the manager to explain how they do that with evidence where possible.

Information about the managers target market and whether they deem the product to be fair value should also be available to advisers at the outset. Some of this will be ongoing, like the updated versions of the fair value assessment which must be produced at least annually.

Ongoing monitoring should provide evidence that good outcomes are being achieved, foreseeable harm is being avoided and that fair value is being delivered. Without this, managers are not in a position to step in with proactive solutions in the way the Duty expects of them.

For BR products, outcomes monitored should include not only growth and/or income considerations, but also elements such as:

- Processes in place to Identify where customers or groups of customers are not getting good outcomes and understand why.
- Processes in place to adapt and change to address any risks or issues identified and stop them occurring again in the future.

The regulator expects firms to take remedial action promptly where it identifies that it has caused customers harm, either through its action or inaction.

It's reasonable to ask what data is being collected to monitor outcomes. For example, evidence of:

1. Compliance with any key performance indicators such as statistics from complaints data, customer service call answer times.
2. Engagement with the advisers/clients and others in the distribution chain for the collection of information to support the manufacturer's review of its product or service. Also, prompt notification of any consumer harms to the FCA and others in the distribution chain.
3. Effective client communication and how that is measured.

Case studies

BR IN ACTION

Disclaimer

The following case studies are designed to demonstrate a number of different scenarios that might apply to certain prospective investors. Nothing here should be viewed as advice. Any suitability decisions should be based on a comprehensive review of a client's objectives, needs, capacity for loss, investment experience, and attitude towards risk. Investors capital is at risk and the value of investments may go up or down.

CASE STUDY 1

USE OF BR FOR PROPERTY SALE

SCENARIO:

Sarah is 65 and has decided to sell one of her rental properties as part of her estate planning. During her ownership of the property, it has increased in value from £350,000 to £480,000.

She has already used her full CGT annual exemption for the year of the sale.

She is also single and not a widow, so would not have access to any transferred 100% asset-backed BR allowance from a deceased spouse.



Sarah gains £130k from the sale of her rental property

This incurs a £31,200 (£130,000 x 24%) CGT bill. But she decides to invest the £130,000 into an EIS fund of private companies which defers the CGT

SHE ALSO INVESTS THE REMAINING £350,000 PROCEEDS FROM THE SALE INTO A NON-AIM BR SERVICE WHICH PROVIDES LIQUIDITY IN CASE SARAH NEEDS CAPITAL

2 YR
AFTER TWO YEARS, BOTH THE BR SERVICE AND EIS FUND SHARES QUALIFY FOR BR AND BECOME IHT FREE

3 YR
AFTER 4 YEARS+ HER EIS INVESTMENTS BEGIN TO EXIT SARAH REINVESTS HER EIS INVESTMENTS TO ROLL FORWARD THE CGT DEFERRAL. THIS ALSO RETAINS THE BR ON THEM

5 YR
SARAH DIES. HER BR SERVICE INVESTMENT HAS RISEN TO £400K AND HER EIS INVESTMENTS ARE VALUED AT £180K

The CGT due from her original property sale does not transfer to her next of kin, so the EIS investments which should qualify for BR, can be passed on in full.

*If any of the EIS or BR qualifying shares been quoted on AIM, and if Sarah died on or after 6 April 2026, those shares would have qualified for 50% rather than 100% IHT relief, meaning they would be subject to 20% IHT.

CASE STUDY 2

RNRB, GIFTS AND BR

SCENARIO:

Roman has a substantial estate valued at well over £2 million, including a residence with a value of £1.5 million. He has two children, and is unmarried. He retains the mental capacity to make gifts.



£200,000 BR

HE MAKES A NON-AIM BR INVESTMENT OF £200,000



BR qualifying
THIS LEADS TO 100% IHT RELIEF



ROMAN GIVES AWAY THE BR QUALIFYING INVESTMENT TO HIS BROTHER, RAOL

This takes the value of Roman's overall estate to below £2 million so Roman regains his RNRB*



ROMAN DIES IN FOUR YEARS** IN 2028

The BR investment saved IHT of £80,000 and his estate benefits from the RNRB of £175,000 saving a further £70,000 of IHT. Total IHT savings : £150,000

* If they are held at the date of death, BR qualifying investments remain part of the estate value calculation for the purposes of the RNRB.

The gift could be to a person or to a trust, as appropriate.

** The gift is a failed PET because Roman did not survive seven years from the date of the gift. However, failed PETs are not added back into the estate for RNRB purposes and the relief, gained by avoiding the taper, is retained.

If the asset qualified for BR in Roman's hands at the date of the gift and is retained by Raol is retained by Raol and still qualifies for BR at the date of Roman's death, it retains its BR status in Roman's estate and there is no additional IHT due.

If the BR asset had been AIM listed shares, since Roman died after 6 April 2026, they would only have qualified for 50% BR, giving IHT relief of £40,000

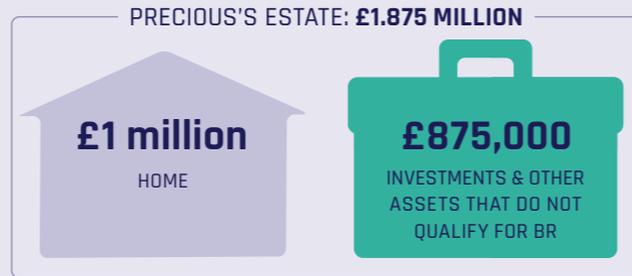
CASE STUDY 3

BR AND GIFTS

SCENARIO:

Precious is a widow aged 79. She has inherited her deceased husband's full NRB and RNRB. She dies in 2028.

PLANNING SUMMARY		
	With no IHT planning	With a BR based estate planning service & gifting
PROPERTY	£1,000,000	£1,000,000
OTHER ASSETS	£875,000	£875,000
TOTAL ESTATE	£1,875,000	£1,875,000
BR INVESTMENT	£0	£375,000
NIL RATE BAND	£650,000	£650,000
GIFTS USING NRB	£0	£325,000
GIFTS USING GIFT ALLOWANCE	£0	£6,000
CASH SPENT BEFORE DEATH	£55,000	£55,000
REMAINING NRB	£650,000	£325,000
RESIDENCE NIL RATE BAND 2024/25	£350,000	£350,000
TOTAL ALLOWANCE	£1,000,000	£675,000
IHT FREE ASSETS	£0	£375,000
TAXABLE ESTATE	£820,000	£439,000
IHT PAYABLE	£328,000	£175,600
IHT SAVING	£0	£152,400



Precious combines gifting and BR strategies:



The GIFT of £325,000 is made only three years before her death, so is a failed PET; but Precious has made no prior transfer in the seven years preceding the date of the gift and its value falls within the NRB so there is no further IHT due on the gift



BECAUSE THE VALUE IS BELOW THE £2.5M CAP FOR 100% BR, THE INVESTMENT FALLS OUTSIDE THE SCOPE OF IHT AFTER 2 YEARS GIVING £150,000 IHT SAVING

(If any of the shares were BR qualifying quoted AIM shares, the BR available to them would drop from 100% to 50%)



PRECIOUS SPENDS £55,000 BEFORE HER DEATH



£650,000 of NRB available (Precious and deceased husband) is reduced by £325,000 to £325,000 (after the value of the failed PET is deducted)



Precious has left her home in her will to her direct descendants and can access RNRB



£175,000 RNRB TRANSFER AVAILABLE

100% of her husband's unused RNRB - he died in 2016, and if the person died before 6 April 2017, the unused RNRB threshold and total available RNRB threshold are both deemed to be £100,000 so the unused percentage is 100%. 100% is applied to the RNRB threshold at the death of the second spouse: 100% x £175,000

TAXABLE ESTATE:
 Estate value (£1,489,000) - total RNRB (£350,000) =
 £1,139,000 - total NRB (£325,000) = £814,000
 - BR qualifying investments (£375,000) = **£439,000 taxable estate**

Case studies

TRUST INTERACTIONS

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The following case studies are designed to demonstrate a number of different scenarios that might apply to certain prospective investors. Nothing here should be viewed as advice. Any suitability decisions should be based on a comprehensive review of a client's objectives, needs, capacity for loss, investment experience, and attitude towards risk. Investors capital is at risk and the value of investments may go up or down.

CASE STUDY 4

DISCRETIONARY TRUSTS

Business Sale Proceeds and efficiently funding a high value discretionary trust

SCENARIO: Georgina is 61 and is keen to put £3,000,000 cash from the sale of her business (undertaking a BR qualifying trade) a few months ago, into a discretionary trust for her grandchildren.

POSSIBLE CHARGES

If Georgina dies within seven years and if the trustees disposed of the BR qualifying assets within seven years, the transfer into trust would fall back into charge and IHT would become payable on the amount by which the value transferred exceeded the NRB.

If the trustees hold the BR qualifying investment for a minimum of two years and the asset itself continues to qualify for BR, no periodic or exit charges should arise on the first £2.5m of non-AIM BR qualifying shares. The excess of £500,000 could be transferred to the trust seven years later when Georgina's £2.5 million BR allowance has refreshed, reducing any lifetime transfer charge to £nil. It would still be subject to 10-year anniversary charges and, if applicable, exit charges at 50% of standard. (Qualifying BR assets transferred 'in specie' to a beneficiary, are not subject to exit charge when leaving the trust. Such charges may apply if the assets no longer qualify for relief. E.g., if the trustees sell the business assets prior to the distribution or the business assets are paid to a beneficiary before the trustees have satisfied the two year ownership period.)



Georgina's previous business undertook BR activities for ten years



GEORGINA SELLS THE BUSINESS AND WANTS TO PUT THE PROCEEDS INTO A TRUST



She has already used her NRB by establishing other trusts and making personal gifts. Consequently, Georgina would be liable for the chargeable lifetime transfer into trust:

20% charge on £3,000,000 = £600,000 IHT due



To avoid the charge, Georgina reinvests the money into non-AIM BR within three years of the sale of the business in June 2026



In 2027, she can move the first £2.5m of assets into trust with the chargeable lifetime transfer charge at 0% thanks to BR qualification



✓ BR qualifying

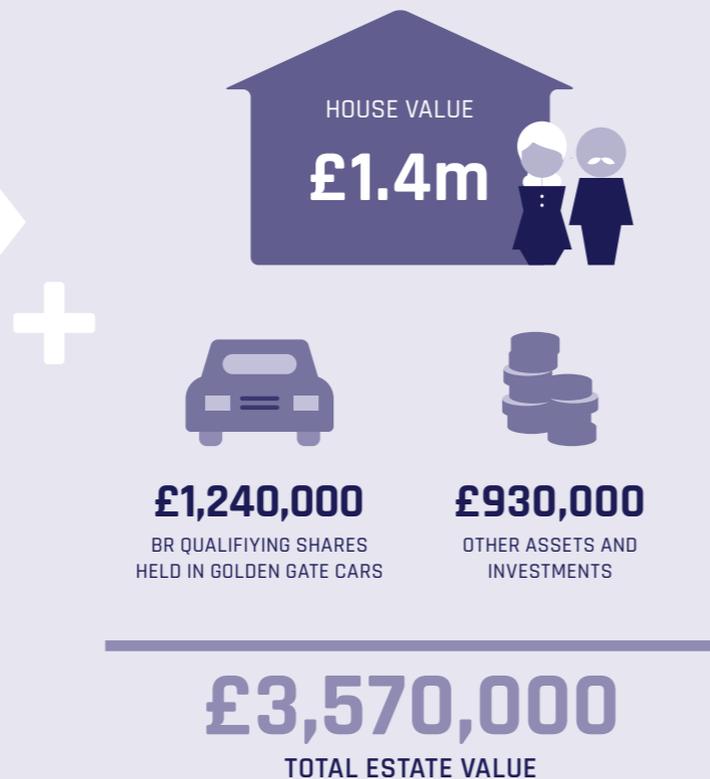
CASE STUDY 5

DISCRETIONARY TRUSTS

BR investment into a discretionary will trust to avoid passing all assets to surviving spouse (and avoid loss of RNRB due to taper threshold)

SCENARIO:

Alex owns £1,240,000 of BR qualifying shares in Golden Gate Cars held for five years, an unlisted trading company. He and his wife, Brianne, also own a property worth £1.4 million and hold other assets and investments totalling £930,000. Their total estate value is £3,570,000. Alex dies in mid-2025.



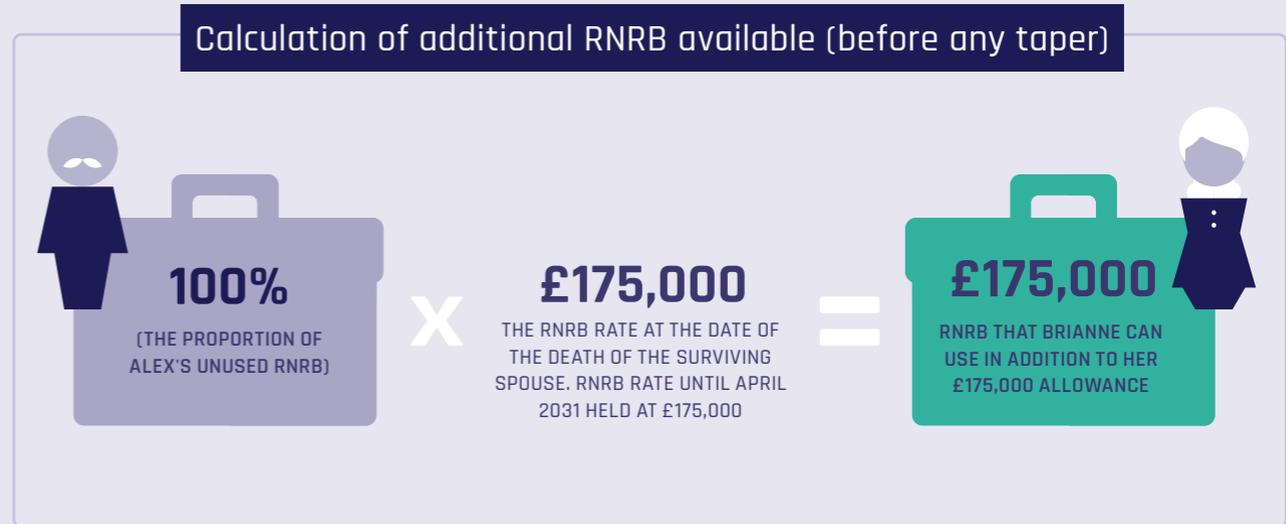
✚ Alex leaves all his assets to Brianne. His estate will not qualify for the RNRB as he has not left a home to his children or grandchildren (direct descendants)

✓ **BR qualifying**
BR AND SPOUSE EXEMPTION ENSURE THAT THERE IS NO IHT ON ALEX'S DEATH

4 YRS LATER

ON BRIANNE'S DEATH, SHE LEAVES THE FAMILY HOME TO THE COUPLE'S TWO CHILDREN

⚠ But does not qualify for the RNRB as her estate is too large causing the RNRB to taper away.



RNRB Taper: £1 RNRB lost for every £2 of estate value over £2,000,000
RNRB potentially available = £350,000
RNRB Taper on £1,570,000 above £2,000,000 = £785,000
So no RNRB remains available

✚ **There is an IHT liability of £672,000 on Brianne's death.**

100% BR qualification for the company shares valued at £1.24m (as within the £2.5m 100% BR allowance). The couple's full NRB of £650,000 is applied to the remaining estate, leaving a taxable amount of £1,680,000 subject to IHT at 40% = £672,000 payable

Alternatively...



This takes the shares outside Brianne's estate (there isn't a CLT charge applicable as Alex's death is mid-2025. The £1.24m is within the £2.5m trust BR allowance, so there will be no periodic or exit charges for the trust as long as the investment remains in BR qualifying assets.



If the £1,240,000 had not been in trust, even if it was BR qualifying and not liable to IHT, it would have been considered as part of the estate for the purposes of the RNRB calculation. But removal of the £1,240,000 allows further use of some of the RNRB by reducing the estate value to £2,330,000 million

RNRB taper: £1 RNRB lost for every £2 of estate value over £2,000,000
 RNRB potentially available = £350,000
 RNRB taper on £330,000 above £2,000,000 = £165,000
So £185,000 of RNRB remains available

Using the trust therefore has a tax saving benefit in these circumstances.
 There is an IHT liability of £598,000 on Brianne's death.

(£3,570,000 less £1,240,000 successfully gifted into trust, less £650,000 NRB, less £185,000 RNRB leaves £1,495,000 subject to IHT @ 40% = £598,000

CASE STUDY 6

DISCRETIONARY TRUSTS

Client in his 80s who has already gifted £325K (+annual gift allowances) into a discretionary trust, uses BR to shelter further funds

SCENARIO:

Sergey is in his 80s and widowed. He set up a discretionary trust in 2023; having not transferred any other chargeable assets into trust in the preceding seven years, he gifted a total of £325,000 into trust.

*Any amount over the NRB will be deemed a chargeable lifetime transfer (CLT) subject to immediate charge to IHT.

**As the transfer into trust was made before 30 October 2024, even though it would be treated as a failed PET on his death if Sergey was to die within seven year, as long as it is still held in BR assets, the value of the PET is reduced to zero by BR, and it does not use up Sergey's £2.5 million BR allowance. For assets settled into trust after the budget of 30 October 2024 and before 6 April 2026, if Sergey doesn't survive for seven years after making the gift and dies after 6 April 2026, the latter transfer will come back into his estate as a chargeable transfer and use up his personal £2.5 million. If the value of those assets grows and exceeds £2.5 million, the new rules will apply to the Trust on 10 year anniversary charges and exit charges so that, for example, shares in a trading business held in trust will benefit from 100% Business Relief on the first £2.5 million (AIM shares do not count towards this threshold and will only qualify for 50% Business Relief) and thereafter only qualify for 50% Business Relief



£325,000

IN 2023, SETS UP A DISCRETIONARY TRUST, NOT HAVING TRANSFERRED ANY OTHER CHARGEABLE ASSETS IN THE LAST SEVEN YEARS



AN INVESTMENT HE MADE FIVE YEARS AGO HAS JUST MATURED AND HE NOW HAS AN ADDITIONAL £600,000 IN HIS ESTATE



TRUST?



SERGEY WANTS TO GIFT THE £600,000 INTO TRUST BUT HIS ADVISER POINTS OUT THERE WOULD BE A 20% IHT CHARGE ON THIS CLT*



INSTEAD OF IMMEDIATELY TRANSFERRING THE £600,000 INTO TRUST IN 2023, HE INVESTS IT IN NON-AIM BR QUALIFYING SHARES



2 YR

In 2025, he places the BR qualifying assets** into trust with no CLT charge.

Total IHT saving = £240,000

CASE STUDY 7

LIFE INTEREST TRUSTS

Immediate Post Death Interest trust (IPDI) created by a life interest trust investment to shelter the trust fund from IHT on death of life tenant

SCENARIO:

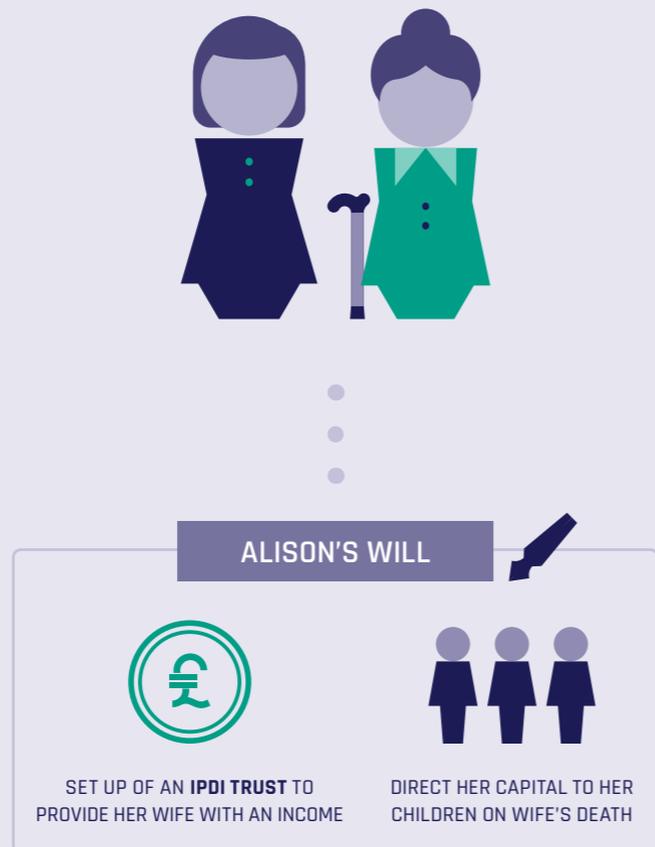
Alison and Pauline are married and in their 70s. Both have adult children from previous marriages and would like their respective children to inherit their individual estates.

ALTERNATIVE ROUTE

If Alison invested in BR qualifying assets during her lifetime and directed the investment to the IPDI trust in her will, her wife would only have to survive for the balance of the two-year qualifying period to ensure the capital was outside of the charge to IHT.

Both strategies enable the full amount of Alison and Pauline's NRBs to be applied against their own estate to protect it for the benefit of their own children.

*The trust is set up after October 30 2024, but it is the only trust Alison has established. If the transfer to Alison's trust is made After 6 April 2026, should the value exceed £2.5 million of private/ asset backed BR shares, any excess will be subject to a charge to CLT of 10% (20% on 50% of the excess). Any excess will also be subject to 10-year anniversary charges and, if applicable, exit charges at 50% of standard. However, exit charges may apply if the assets leaving the trust no longer qualify for Business Relief.



To prevent the value of assets held in the IPDI trust being aggregated with her wife Pauline's estate on Pauline's death, leading to a charge to IHT before the net capital is distributed to Alison's children, the IPDI trust is invested into a non-AIM BR qualifying investment on Alison's death*.

2 YR

BR qualifying

CASE STUDY 8

IMPACT OF PENSIONS INCLUSION (2027)

Drawdown of maximum lump sum allowance and reinvestment into a BR qualifying portfolio to shelter excess funds in pension

SCENARIO:

Juan, 65, is a widower. He can see the changes coming to IHT over the next few years. Juan had planned to use his pension funds to mitigate IHT. But the new rules mean he has to consider other options.

IF JUAN DOESN'T DO ANYTHING, IF HE DIES AFTER 6 APRIL 2027, THE NEW RULES WILL LEAD TO AN INCREASED IHT LIABILITY OF £720,000



His adviser recommends that Juan uses Replacement Relief to encash all of his AIM shares and reinvest it immediately into non-AIM BR qualifying shares

He also recommends that Juan takes £500,000 of his cash and investments plus his full tax-free lump sum from his pension (£268,275) and invests it into non-AIM BR qualifying shares.

That leaves him with **£ 1,068,275** in non-AIM BR qualifying assets

	No action To 5 Apr 2026	No action From 6 Apr 2026 to 5 Apr 2027	No action From 6 Apr 2027	Action
MAIN RESIDENCE	£850,000.00	£850,000.00	£850,000.00	£850,000.00
PERSONAL EFFECTS	£150,000.00	£150,000.00	£150,000.00	£150,000.00
CASH & INVESTMENTS	£750,000.00	£750,000.00	£750,000.00	£250,000.00
AIM BR SHARES	£300,000.00	£300,000.00	£300,000.00	
NON AIM BR SHARES				£1,068,275.00
PENSION	£1,300,000.00	£1,300,000.00	£1,300,000.00	£1,031,725.00
TOTAL ESTATE VALUE	£3,350,000.00	£3,350,000.00	£3,350,000.00	£3,350,000.00
LESS				
BR QUALIFYING AIM	£300,000.00	£150,000.00	£150,000.00	
PENSION	£1,300,000.00	£1,300,000.00		
NON-AIM BR SHARES				£1,068,275.00
SUBJECT TO IHT	£1,750,000.00	£1,900,000.00	£3,200,000.00	£2,281,725.00
LESS				
NRB X 2	£650,000.00	£650,000.00	£650,000.00	£650,000.00
RNRB X 2	£350,000.00	£350,000.00		£209,137.50
TAXABLE	£750,000.00	£900,000.00	£2,550,000.00	£1,422,587.50
IHT AT 40%	£300,000.00	£360,000.00	£1,020,000.00	£569,035.00
NET ESTATE	£3,050,000.00	£2,990,000.00	£2,330,000.00	£2,780,965.00
INCREASE IN INHERITANCE DUE TO NEW RULES POST 6 APRIL 2026		£60,000.00	£720,000.00	£269,035.00

2 YR

After holding the shares for 2 years, Juan puts the BR qualifying shares into trust.

There is no chargeable lifetime transfer charge as the assets are within the £2.5m 100% allowance, and taking the assets outside his estate gives him back £209,137.50 of RNRB.

The recommended actions have cut the additional IHT bill from £720,000 with no action to £269,035 on Juan's death after 6 April 2027.



The practical route to BR

6.1

BR qualifying AIM shares within an ISA

A stocks and shares ISA can hold AIM shares which potentially offers the advantage of not only tax-free growth or income, but also 0% IHT (50% after 6 April 2026) on the death of the ISA holder.

The two-year ownership period will apply:

- Where AIM shares are purchased with new subscriptions, or
- Existing funds are switched to AIM shares within an ISA.

Where qualifying AIM shares are sold and repurchased within the ISA, the replacement property rules apply so that the ownership period does not reset when the shares are purchased by the ISA manager.

However, if the client instructs the ISA manager to repurchase more shares than the original amount sold, any additional shares must start a new two-year period.

This mechanism could work as follows:

Example - Jefferson sells £10,000 worth of shares in his AIM share portfolio held since 2020, so the two-year qualification period has passed.

He invests the sale proceeds into his stocks and shares ISA. The ISA manager could repurchase the same AIM shares through his stocks and shares ISA or buy alternative BR-qualifying AIM shares.

The ISA manager purchases a total of £13,000 worth of AIM shares using an additional investment into the ISA of £3,000 from Jefferson.

The £10,000 of shares purchased as replacement property immediately qualify for Business Relief. But the additional £3,000 of shares start a new two year ownership period so won't qualify for business relief until they've been owned for two years.

6.2

Platform access

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 and to solve a raft of estate planning challenges.

Research suggests that within three years more than eight out of ten (85%) advisers estimate 20% or more of their business will be driven by IHT planning and advice. In May 2025, Rich Mayor, senior analyst at the Lang Cat stated that, "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."

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.

In the meantime, according to DeFaqto whole of market data (Professional Paraplanner, January 2025), the top ten most recommended adviser platforms in the UK in 2024, are listed below along with whether or not they offer BR-qualifying assets:

TOP TEN MOST RECOMMENDED ADVISER PLATFORMS

1	Quilter Investment Platform	Yes
2	Aviva Platform	No
3	Transact	Yes
4	AJ Bell	Yes
5	Fidelity Adviser solutions	Yes
6	Aegon Retirement Choices	No
7	abrdn Wrap	Yes
8	abrdn Elevate	No
9	Scottish Widows Platform	Yes
10	True Potential Platform	Yes

Remember, though, the BR-qualifying assets offered by platforms are most likely to provide AIM portfolios, rather than private/asset backed BR products.

Specialist platforms such as [Growth Invest](#) and [MICAP](#) also offer online access to BR products either by offering information and contact with the investment manager or to actually enter into investment agreements.

6.3

Replacement Property: Acceptable replacements

Where business property ('the replacement property') has replaced other business property ('the original property') then BR will be available on a chargeable transfer of the replacement property as long as two conditions are met. These are:

1. The combined ownership period of the original property and replacement property totals at least two years out of the five years immediately preceding the transfer, and
2. The original property and replacement property must both have been relevant business property – so eligible for BR (other than the requirement that they must have been held for two years)

HMRC's internal Inheritance tax manual IHTM25311 states:

"We take 'replacement' to mean there has to be some tangible connection or link between the pre-existing property and the later property. For example, if an individual sells a qualifying business interest in A and buys another business interest in B, he or she would be said to have replaced A with B. If however, s/he spent the proceeds on other things, and later borrows money to buy the interest in B, we would not regard that as a replacement."

In addition, HMRC would not regard it as a replacement if the individual gave away the interest in A for no consideration, and later acquired the interest in B from other funds.

Furthermore, replacement property relief cannot exceed what it would have been had the replacement or any one or more of the replacements not been made. This means a replacement resulting from the formation, alteration or dissolution of a partnership, or from the acquisition of a business by a company controlled by the former owner of the business does not meet the requirements.

If there is any indication that the deceased's/transferor's resources were being rearranged into considerably more extensive business property to obtain increased relief shortly before the death/transfer, HMRC is likely to closely scrutinise it.



Mr Simpson estimated that up to 728,000 businesses could be affected by the changes in BR. [He]acknowledged that his calculation was broad but maintained that the reforms would be a significant challenge for private businesses. He added that business owners would have to plan their estate to reduce their eventual tax burden."

CHANGES TO AGRICULTURAL AND BUSINESS PROPERTY RELIEFS FOR INHERITANCE TAX, HOUSE OF COMMONS LIBRARY, MAY 2025, QUOTING CRAIG SIMPSON, TAX PARTNER AT BATES WESTON TAX LLP

More info

There are complexities that can apply to BR investing. For more details on business asset disposal relief, investors relief, inflation rates and gearing, and CGT and income tax with BR exits, visit the third and fourth editions of this guide at:

<https://intelligent-partnership.com/wp-content/uploads/2022/03/BR-Guide-Third-Edition.pdf>

[add link to fourth guide](#)



Reassessing BR needs and suitability

7.1

The context

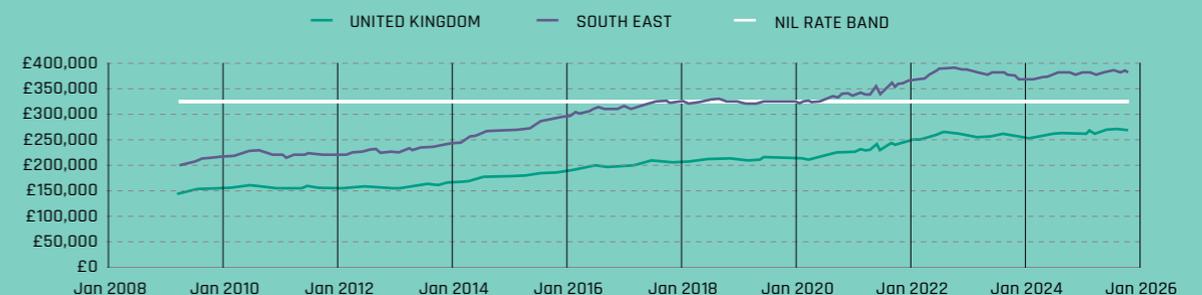
The Autumn Statement 2024 and subsequent changes since are going to materially impact the IHT planning of thousands of individuals and companies, so it's time to identify, consider and address how to limit additional IHT exposure. On the other hand, the risk of doing nothing, could be damaging to client relationships and non-compliant with the Consumer Duty.

The IHT landscape is shifting to such a degree that new foreseeable harms to planned outcomes have been created for large portions of adviser client books; research suggests that advisers believe anything from a third to 100% of their clients could be impacted. It's fairly safe to assume that the new limitations on Business Relief, Agricultural Property Relief, extended freeze of both NRB and RNRB and the imminent inclusion of unused pensions within estates is going to increase IHT liabilities and the number of those with estate planning requirements.

If you aren't taking action, you may find yourself in hot water once the changes take effect: For Consumer Duty purposes, after death, if you have given estate planning advice, you need to record the IHT mitigation achieved for each individual and the amount of wealth transferred to beneficiaries relative to what they would reasonably have expected. This should take into account IHT mitigation, costs and performance and will evidence the effectiveness of the IHT planning as a whole. Hence, outcomes that veer away from those expected will strongly suggest a lack of updated advice, immediately demonstrating inadequate ongoing client monitoring and communication.

Aside from the regulatory imperative, there's also a substantial business opportunity. IHT is no longer for a minority of advisers; consider average house prices in the South East, which pierced the NRB in 2017. Adding an average pension of around £150,000 to the UK average house price of £265,000, even with no other assets, exceeds the NRB by close to £100,000.

HOUSE PRICE GROWTH AND NIL RATE BAND



SOURCE: LAND REGISTRY, [HTTPS://LANDREGISTRY.DATA.GOV.UK/APP/UKHPI/COMPARE?IN=AVG&LOCATION\[\]=K02000001&LOCATION\[\]=E12000008&ST=ALL&LANG=EN](https://landregistry.data.gov.uk/app/ukhpi/compare?in=avg&location[]=K02000001&location[]=E12000008&st=all&lang=en)

The freeze has now been extended by three further years across the last two budgets, and had the thresholds gone up with inflation since 2009/10, the NRB would have shielded approaching an additional £200,000 of an estate from IHT.

IMPACT OF FROZEN NRB AND RNRB AT JAN 2026

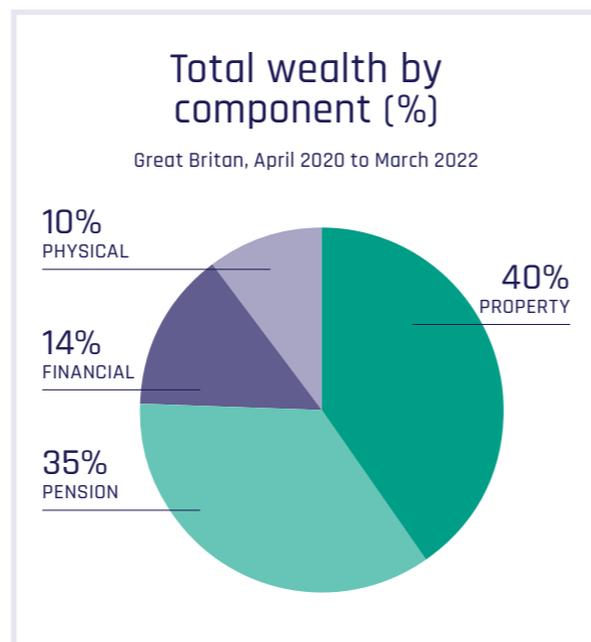
	Date frozen	Current IHT-free amount	IHT-free amount if increased by inflation (CPI) at January 2026
Nil rate band	April 2009 to April 2031	£325,000	£523,419.89
Residence nil rate band	April 2021 to April 2031	£175,000	£218,721.57

SOURCE: BANK OF ENGLAND INFLATION CALCULATION TO DECEMBER 2026

This puts advisers in a strong position to demonstrate to clients how much value their advice offers, especially against the backdrop of the Great Wealth Transfer. The more difficult economic conditions experienced by younger generations, particularly Millennials and Gen Z (born between 1981 and 1996, and 1997 and 2012 respectively) than the older Generation X (born 1965 - 1980) and Baby Boomers (born 1946 - 1964), have heightened the importance of this shift in prosperity with an estimated 22.5 million UK adults financially depending on an inheritance to some extent (Level Group). That equates to a massive incentive for parents to leave as big a legacy as they can for their children and a huge opportunity for professionals to earn the business of that future generation.

Within this general picture, there is much speculation that consideration of the suitability of Business Relief qualifying investments is going to grow. Advisers are starting to think about the £2.5 million allowance as a gateway to greater IHT relief that should be used, particularly with pensions suddenly inflating estate sizes.

Pensions contribute over a third (35%) to UK wealth, so their reintroduction to IHT calculations in 2027 is going to be nothing short of a game-changer.



SOURCE: ONS, HOUSEHOLD TOTAL WEALTH IN GREAT BRITAIN: APRIL 2020 TO MARCH 2022, 24 JANUARY 2025

No wonder advisers are rethinking their propositions. One of the key findings of the Schroders UK Financial Adviser Pulse Survey 2025 (conducted in May 2025) was that 92% reported that they have discussed inheritance planning with clients in the wake of the Autumn Statement changes in 2024. What's more, just under half (46%) of advisers are considering new offerings for specific client segments.

7.2

Agricultural Property Relief: when it could impact Business Relief

When it comes to Business Relief, from April 2026 it will be inextricably linked to Agricultural Property Relief, so advisers should be familiarizing themselves with the APR rules and how the changes are going to impact its future interaction with Business Relief to fully understand the fallout for IHT liabilities.

that is used for liveryes, horse racing, letting (including holiday lets), market gardening and commercial woodland (including growing Christmas trees).

Other land and property used for agricultural purposes may be eligible for 50% APR.

APR also reduces the value of a gift of agricultural property – at agricultural value only, so not taking into account any development or “hope” value – again at rates of 100% or 50% depending on the type of asset.

RULES

After 5 April 2026, the rules for qualification for APR will remain unchanged, with the exception that a limit of £2.5 million, shared with BR-qualifying assets, will be introduced. Up to that limit, APR/BR assets will qualify for 100% IHT relief and any excess will qualify for 50% IHT relief. Before 6 April 2026, no such limit existed on either relief.

APR allows up to 100% IHT relief on the agricultural value of land or buildings, including:

- Farm buildings
- Farmhouses & cottages
- Woodlands with trees that are planted and harvested at least every 10 years
- Buildings used for breeding and rearing horses and the associated grazing for stud farms
- The value of milk quota associated with the land
- Controlling shares in a farming company
- Woodlands and stud farms also qualify, although APR is not available on property

QUALIFICATION OWNERSHIP PERIOD

If occupied by the owner or their spouse or civil partner, the minimum ownership period to qualify for APR is two years. If the property has been occupied and farmed by someone else, the owner will need to have owned it for at least 7 years.

FARMHOUSES AND COTTAGES

If the building is larger than necessary for the level of farming activity, then relief may not apply. For example, a large eight-bedroom mansion with several reception rooms with 5 acres of adjoining farmland is unlikely to qualify for APR.

In addition, a cottage or farmhouse must be occupied by someone who is carrying out farming activities on the property. This could be the owner, someone leasing the farm, or a farm employee. The building also qualifies where it is occupied by a retired farm employee or the spouse or civil partner of a deceased farm employee.

EXISTING INTERACTION WITH BR

If the same property is eligible for both APR and BR in respect of a transfer, APR takes precedence (IHTA 1984, s 114(1)).

FUTURE INTERACTION WITH BR (AFTER APRIL 2026)

The allowance will cover £2.5 million of property qualifying for unlisted BR, APR, or a combination of both. If the total value of the qualifying property to which 100% relief applies is more than £2.5 million, APR and BR will be applied proportionately across the qualifying property.

For example, if a farming business was worth £4 million on the farmer's death, comprising agricultural property of £3 million and unlisted business property of £1 million, the 100% allowance would be allocated as to £1,875,000 for the agricultural property and £625,000 to the business property. The remaining agricultural assets (£1.125 million) and business assets (£375,000) will be eligible for 50% APR and BR, resulting in an overall IHT liability of £300,000 (ie. a marginal IHT rate of 20%).

It's also worth remembering that, as well as unlisted BR-qualifying assets and APR-qualifying assets, those unlisted shares that qualify for the Enterprise Investment Scheme (EIS) will generally also be included in the £2.5 million calculation. This is because they are very likely to qualify for BR if they qualify for EIS.

7.3

Identifying where new planning is needed

Understanding if there is likely to be an IHT liability is the first step in deciding whether there is an estate planning need which is at the foundation of any suitability for a Business Relief recommendation.

In light of the upcoming changes, advisers should be reviewing their client banks to assess which clients are likely to face new or increased IHT liabilities should they die after 6 April 2026 or 6 April 2027.

It might be useful to use the following as a checklist of client circumstances to prioritise those who are most likely to require additional planning: Clients:

- With previously established potential IHT liabilities – whether addressed or not
- With existing BR or APR planning in place
- With over £2.5 million of agricultural assets and/or business interests
- With trusts holding BR-qualifying assets
- With investments and savings of over £2.5 million
- Who have reached their maximum Pension Commencement Lump Sum amount in their pension plan
- With an estate value above the NRB, including pension pot
- With an estate value above £2 million, including pension pot, after the NRB
- With high-value EIS-qualifying shares
- With BR-qualifying AIM listed shares

You should also consider the likelihood of the various amounts mentioned in the checklist being exceeded by the estate before the death of the client, through growth or inheritance. It's worth looking at the potential future IHT liabilities that could build up and to start thinking about mitigation methods well in advance.

As a starting point, it's important to assess the impact that the changes will have on individuals and their businesses if no action is taken. Modelling the potential IHT charge will help with comparisons of the costs and implications of an alternative course of action. Be aware that this might require unpicking of previous recommendations.

As well as calculating the additional IHT that would be payable, it is important to understand when it would be payable and how it would be funded.

Where alternative courses of action are considered, the security of the client's retirement plans should not be compromised by lost access to too many gifts or insufficient pension funds.

7.4

Who might benefit from BR in the changed circumstances

- **BUSINESS OWNERS** looking to sell a business or who have sold one in the last three years
- **POWER OF ATTORNEY** – clients who have lost capacity to make financial decisions which are legally ceded to a third party
- **ELDERLY OR ILL CLIENTS** – who may not live seven years for gifts to become 100% IHT-free
- **YOUNGER CLIENTS** who cannot afford to give the money away or put it into a trust as they require access
- **LIFE INTEREST TRUST HOLDERS** – created by a will, these trusts allow assets to be transferred without going through probate, providing more privacy and potentially faster distribution of assets after the grantor's death. They allow a nominated individual (the life tenant) to benefit from trust assets during their lifetime, while the assets ultimately pass to different beneficiaries (the remaindermen) upon the life tenant's death. BR-qualifying assets moved into such a trust can cut IHT and ongoing fees.

Where there's a requirement for a full re-evaluation of a client's estate for IHT planning needs, remember that you will need to understand the structure of their estate and their preferences for distribution of it under the terms of their will, and then work out if there is likely to be an IHT liability.



SOURCE: INVESTOPEDIA



Thought leadership

CLIENTBASE IHT REVIEWS

TAYLOR BEAVIS, DIRECTOR & FINANCIAL ADVISER, UNIVERSE FINANCIAL ADVICE

With sweeping changes to business relief investments, advisers face a fundamental rethink of inheritance tax planning strategies. While this isn't exhaustive, this should help start you in the right direction. The government made it clear that their changes to pensions will remove the incentive for individuals to leave accrued pension wealth. As such, it's likely that advisers will now consider pensions first and foremost, flipping the current strategy. This means that other non-pension assets which traditionally would have been used first, will be left to accrue. It is these assets which advisers may eye up for BR qualifying investments now.

I've also been speaking with other professionals regarding clients with Business Relief assets exceeding the £2.5 million threshold after 6 April 2026 when unquoted shares will still offer 100% relief but only on the first £2.5 million of holdings, with any excess qualifying for 50% relief. AIM-listed shares will move to a flat 50% relief. The most obvious is to do nothing. Assets over the £2.5 million threshold will still qualify for 50% relief, and so they remain advantaged from an IHT perspective. For some clients, that could mean no changes are required.

Other clients may be looking to gift the excess above £2.5 million, but caution should be applied to ensure that they have a likely time horizon. For any gifts, if they do not survive 7 years after making the gift, the failed PET will be brought in to scope and will use up the BR £2.5 million allowance first, thus rendering the gift ineffective. We should also understand that most clients investing in BR are typically older, so they may not have the time ahead to do this.

If one spouse holds most of the Business Relief-qualifying assets, a transfer between spouses may still be considered to help balance ownership and ensure that both individuals' £2.5 million Business Relief allowances are being used effectively.

However, following the recent changes, any unused Business Relief allowance can now be transferred to a surviving spouse. As a result, the need to restructure ownership or rely on discretionary will trusts purely to preserve the allowance has been significantly reduced.

It remains important that wills are reviewed at the same time as any planning is undertaken. While mirror wills no longer risk wasting the Business Relief allowance due to non-transferability, discretionary will trusts may still be appropriate where wider succession, control or asset-protection objectives apply, rather than solely for Business Relief planning.

AIDE MEMOIRE



Calculating the potential IHT liability requires a full understanding of:

the clients' assets with valuations,

the potential IHT exemptions they could make use of,

the amount of nil rate band and residence nil rate band that may be available to them during the remainder of their life and on death,

their health/life expectancy and any incapacity issues and powers of attorney in place,

any bequests to charities they plan on making,

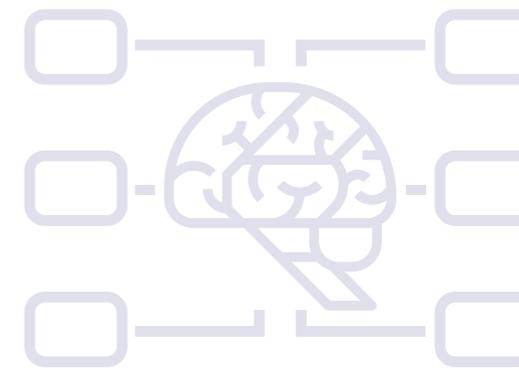
any investments they have, including the amount and tax status of income or gains,

any gifts they have made in the last seven-year, or are planning to make during their lifetime, and

any life insurance policies, their sum assured as well as whether they are within a trust.

While HMRC statistics also show that the older the client, the more likely it is that there is a significant IHT liability, the impact of pension changes may bring down the ages at which more attention needs to be paid to IHT planning.

If there is an IHT liability, you must also establish whether the relevant client considers IHT planning to be a primary objective.



Specific items to consider now include:

- » How does current will planning distribute the legacy and is tax efficiency impacted?
 - Appropriate provisions in the will can:
 - Provide control over who will inherit and when
 - Allow the selection of appropriate people to administer/distribute the estate
 - Maximise the availability of Nil Rate Bands and Residence Nil Rate Bands
 - Provide arrangements and protection for minors
 - Establish trusts on death
 - Make IHT savings
- » If a pension is left to a spouse, it will continue to pass free from inheritance tax – but what about on second death?
- » Will the addition of projected unused pensions leave an IHT liability from 2027 and cause RNRB to taper?
- » Are there excess funds in the pension that the client will not use in their lifetime? The announcement to bring pensions within an estate for IHT purposes will increase the need

for more precise planning for determining the savings required for retirement and whether estate planning is a consideration.

- » Assess ownership structures within both families and businesses to map who owns what. Ensure any partnership or shareholder agreements will result in the intended split if death occurs after April 2026.
- » If additional assets need to be transferred before death, how can the client's business interests and wealth be protected? Consider prenuptial agreements, trusts, corporate structures.

Open communication with clients about the potential implications of the budget changes is crucial, and offering the following could be beneficial in this regard:

RELIEF AUDIT – a clear report showing which assets qualify at which rate now, and post-2026.

SCENARIO MODELLING – side-by-side cash-flow comparison of gifting, trust retention, investments, insurance and borrowing.

LEGAL LIAISON – working with the client solicitor to align wills, partnership agreements and share structures with the new rules.

ONGOING MONITORING – updates on legislation and market values so plans remain effective right up to, and beyond, April 2026.



7.5

Existing planning pitfalls

Remember that verifying your client's suitability for a BR investment is not a onetime thing under the Consumer Duty. You are required to monitor that they remain suitable during the lifetime of the investment. If rule changes mean suitability is challenged, you need to consider their impact and take action if necessary.

The following takes a deeper dive into some of the Business Relief related issues you need to think about in the shifting sands of IHT planning.

TARGET MARKET

Where advisers have not undertaken Business Relief business previously, it may be worth reassessing your client base to understand its make-up in light of the changes to analyse whether your target market needs to take new or further account of these types of planning needs. While the FCA has stated that, "the initial target market for a financial advice firm's services might be any customer with a potential pension and investment need" for complex or niche products (where Business Relief is sometimes categorised) firms may need to define target markets in more detail, considering increased risk of consumer harm.

BUSINESS RELIEF QUALIFYING AIM SHARES

The drop in IHT relief to these shares from 100% to 50% from April 2026 will inevitably mean a new reckoning of whether AIM listed or private, asset backed Business Relief-qualifying shares are preferable. Many consider that the likelihood is that the first £2.5 million of most Business Relief portfolios will be invested into fully unquoted, asset backed offers and after that AIM could be used as a diversifier, leveraging off its liquidity and growth potential. However, there is more to consider:

- Advisers have the option to look at Business Relief holistically or "in the round", targeting a blended IHT rate when mixing various solutions together.
- Current AIM share valuations have been called "once in a generation cheap" with companies buying their own shares back in record volumes. This has led to expectations of increased trading and returns potential.
- Performance is likely to become the main driver now for AIM IHT services, making an investigation of a manager's investment strategy and its success in selecting defensive assets more important than ever.
- Tax-free income and capital growth remain available in addition to IHT relief when AIM Business Relief-qualifying shares are held within an ISA wrapper, enhancing the overall tax efficiency once the shares have been held for two years. Remember though that any capital losses that occur within an ISA can't be offset against an investors other capital gains as ISAs are exempt from CGT.
- Above the £2.5 million threshold, AIM could now play an even greater role in estate planning by providing access to a higher-risk approach for capital, focusing on growth. Such a mandate could be a

good move - particularly if the returns outperform the 20% IHT charge.

- Where people are selling off AIM stock in order to reinvest in private, asset-backed Business Relief-qualifying shares, the risk is that the client could die while not holding Business Relief-qualifying shares thereby losing all access to Business Relief. This could make a speedy process to achieve this a useful asset of a Business Relief investment manager.

JOINT AND INDIVIDUAL HOLDINGS:

The £2.5 million individual allowance on the combined value of property that qualifies for 100% Agricultural Property or Business Relief will be transferable between spouses and civil partners. Joint ownership therefore becomes attractive from the point of view of ease of transfer from one spouse to the other on first death, being automatic rather than having to wait until after probate has been granted. Related considerations include:

- If a married couple uses their total nil rate band (£650,000) and residence nil rate band (£350,000) to shelter £1 million of their assets from IHT, using this and the BR threshold could result in 100% IHT relief for a total of £6 million of assets without even considering 50% IHT relief for excess BR-qualifying assets. Remember though, if all of those assets are within the estate and not, for example, held in trust outside the estate, the £350,000 Residence Nil Rate Band (RNRB) that couples with residential property can claim if they leave it to a close relative, is tapered away at £1 of relief for every £2 above £2 million.
- With the changes announced in the 2025 Budget, the 100% BR allowance is now transferable between spouses and civil partners on first death if unused. This means that where BR assets are passed to the spouse, the BR allowance passes with them. When initially it seemed that

the allowance would not be transferrable, there was a potential benefit to single holdings rather than joint holdings, to be able to redirect the BR assets on death as required, but this is no longer the case.

- For single investors – on death, the shares will form part of their estate and pass in line with their will.
- Where excess assets mean that one or both of the spouses holds more than £2.5 million of Business Relief qualifying assets, clients might use tax-free gifts between spouses during their lifetime. This has the benefit of attracting no capital gains tax as for spouses, the recipient spouse takes on the original purchase price of the donor spouse.
- Alternatively, they may also decide to pass land, business property and investments to the next generation on the death of the first spouse rather than passing to the surviving spouse. This will potentially have CGT implications.
- Using a will/life interest trust is another option. While the assets are held within the trust, they are not typically part of the life tenant's estate for IHT purposes upon their death. However, the trust assets may be considered part of the life tenant's estate upon their death if the trust ends while they are still alive, or if the life tenant has the ability to benefit from the capital of the trust.



Thought leadership

NAVIGATING TRUSTS AND WILL PLANNING AMID BUSINESS RELIEF REFORM

PAUL MOUNCE, PARTNER, GOSSCHALKS SOLICITORS

The landscape of estate planning is undergoing a significant shift with the UK government's recent reforms to Business Relief (BR), effective from 6 April 2026. These changes—most notably the introduction of a £2.5 million cap for 100% relief and the reduction to 50% relief for assets above that threshold—demand a strategic reassessment of trusts and will planning for business owners and their advisers.

Historically, BR has been a cornerstone of inheritance tax (IHT) mitigation, allowing qualifying business assets to pass to beneficiaries free of IHT. This has enabled family businesses to transition across generations without the financial strain of a tax liability that could force asset sales. However, under the new regime, only the first £2.5 million of combined Agricultural Property Relief (APR) and BR will qualify for full relief, with the remainder subject to a 50% rate—effectively introducing a 20% IHT charge on excess value.

The changes originally were not transferable between spouses, meaning the 100% relief would be lost if passed between spouses on first death. Thankfully the government announced at the end of last year the relief is now transferable like other IHT reliefs. This means a husband owning £5million of qualifying assets can pass them all to his wife, who can then utilise both her own and husband's unused relief to pass the full amount to children while still receiving 100% relief.

This shift also has implications for trust structures, particularly discretionary trusts used to hold business assets and manage succession, which must be reviewed to ensure continuing tax efficiency. The £2.5 million relief

cap applies per individual or trust, refreshing every ten years for trusts, which makes staggered gifting strategies and careful trust layering potentially important to preserve relief across generations. Existing lifetime trusts will face ten-year anniversary valuations at which only the first £2.5 million of qualifying business assets can secure 100% relief, with any excess limited to 50% relief, so trustees should obtain up-to-date valuations well in advance of each anniversary to model potential IHT liabilities.

Existing wills must be revisited because clauses assuming 100% relief may now result in unintended tax exposure, which underscores the need for a comprehensive audit of business asset holdings, qualifying status, and ownership structure.

Communication with clients should be updated to explain that reliefs previously relied upon may no longer apply in full and that planning must be more dynamic and responsive to legislative change. Ultimately, these reforms reinforce the importance of integrated estate planning, ensuring that trusts, wills, and business structures remain aligned with client objectives and the evolving tax framework.

In addition to the above, business owners face further IHT issues from 6 April 2027 when pension pots, previously exempt from IHT, will be included in an estate and IHT charged on death. This is particularly concerning if a testator dies after the age of 75, where punitive income tax charges can apply. Clients should undertake a full review of their finances and consider replacing other income with pension income, while looking to gift capital assets that no longer provide them with an income, to reduce their overall IHT liability.

REFRESH WILLS

If a couple decides in their will to leave their entire estate to each other upon the first death, and then to their children upon the second death, their mirror wills will reflect this arrangement. However, while leaving assets to a spouse or civil partner can maximise the tax-free spousal relief, soon, they may also mean where Business Relief-qualifying assets are concerned, the second spouse to die accumulates over £5 million in BR assets, meaning only 50% IHT relief is available on the excess assets. So, understanding how assets are being left to beneficiaries is crucial. Under the new regime, separate bequests of business property to children or into trust may preserve both APR and Business Relief allowances.

Consider, for example, that wills that create trusts on death (Will Trusts) need to be reviewed to ensure they align with the new £2.5 million allowance for trustees.

While trusts settled before 30 October 2024 have their own £2.5m allowance, trusts created after this date share the allowance.

DEEDS OF VARIATION

A deed of variation can be used to adjust how a deceased person's estate is distributed, potentially making it more tax-efficient by leveraging Business Relief. If the will doesn't initially maximize BR on business assets, a Deed of Variation can redirect those assets to beneficiaries who qualify for the relief, reducing inheritance tax. Deeds of Variation must be executed within two years of the death of the individual and all affected beneficiaries must agree and sign. Examples of what Deeds of Variation can do include:

- A child who is financially secure might redirect part of their inheritance to their own children (the deceased's grandchildren), thereby "skipping a generation" and potentially saving inheritance tax down the line.

- A variation can allow assets to be placed into a discretionary trust, providing long-term protection for beneficiaries while preserving eligibility for Business Relief or APR.

TIMING

The shift in CGT and Business Relief rules is going to impact whether wealth transfers are made during the donor's lifetime or at death. In its October 2024 Fiscal Outlook, the Office for Budget Responsibility made a good point that, "where assets qualify for APR or BR, even if an estate is above the new shared cap, it is likely that the effective IHT tax rate (20 per cent) is below that for CGT, therefore there would still be a tax benefit from holding assets to death. In addition, for all assets inheritors may take advantage of CGT rebasing on death to minimise their personal tax liability."

This means that CGT rates increasing might have more impact on lifetime gifting than BR-qualifying investments held until death as giving away assets that have increased in value during a client's lifetime will typically trigger CGT. The risk of paying CGT and ultimately not surviving for the seven years needed to ensure the gift is effective for IHT may be increasingly off-putting.



CGT vs IHT

	Capital Gains Tax rate 2026/27		Inheritance Tax rate 2026/27
Annual exemption	£3,000	Nil Rate Band	£325,000 (£650,000 for marries or civil partnered couples)
Below UK higher rate band Tax rate	18%	Residence Nil Rate Band	£175,000
Within UK higher and additional rate bands Tax rate	24%	Rate of tax on excess	40%
Trust and estates Tax rate	24%	Lifetime transfers to and from certain trusts	20%
Annual exemption (trusts)	£1,500	Business Relief	100% relief: A business or interest in a business (e.g. sole trader or partnership interest), shares in unquoted trading companies (includes shares in private limited companies), unquoted securities that give control of an unquoted company, land, buildings, machinery or plant used wholly or mainly in a qualifying business. 50% relief: AIM-listed shares and EIS shares listed on AIM, land, buildings, machinery or plant held under a life interest and used in a business, controlling holdings in quoted companies
Business Asset Disposal Relief	18% on lifetime limit of £1,000,000 for trading businesses and companies (minimum 5% participation) held for at least 2 years	Annual exempt gifts	£3,000 per donor £250 per donee

CHECK TRUSTS

When using Business Relief with other IHT planning strategies there are some extra elements to think about, including

- Transfers into trusts of unlimited Business Relief qualifying assets until 5 April 2026 can benefit from no 20% IHT charge. 10-year anniversary and exits fees will apply after 5 April 2026.
- When transfers are made into trust after 5 April 2026, it will become imperative that on every occasion of charge a comprehensive valuation is performed to ascertain how much of the 100%

relief allowance has been utilised and how much of the transfer may be subject to 50% relief. This will increase administration costs and time for settlors, estates and trusts.

- Where multiple trusts are established after 30 October 2024, the anti-fragmentation rule means, where a client has trusts with more than one trust service, trustees will need to share or obtain information from each other to understand what IHT fees apply. This could lead to substantial difficulties and additional costs

- Identify set-up dates, current values and future growth potential. Where post-30 October 2024 trusts share an allowance, consider whether consolidation or planned winding-up would minimise future 10-year charges.
- Trusts, that could offer clients lower risk than a BR investment, as well as some access to funds, could be faced with high initial costs including set up fees and a 20% charge to IHT on entry. They also have recurring charges to IHT, albeit on a less frequent basis than ongoing fees applicable to BR investments.

MAKING LIQUIDITY PROVISION TO PAY MINIMISED IHT

New or increased IHT liabilities could mean that current planning doesn't take into account the liquidity required to pay them within HMRC's prescribed deadline - in most cases, Inheritance Tax must be paid within six months from the end of the month in which the death occurs. Otherwise, interest is charged on the amount owing. Although there are some exceptions, it is usually illegal to access money from the estate (for example by selling assets), until probate has been issued and granting of probate can take months or years, depending on the complexity of the estate.

One very useful option to access money via BR-qualifying holdings within the estate is the direct payment scheme. This is HMRC approved, but not all BR investment managers engage with it.

- From April 2025 interest charged on late payments by HMRC increased from 2.5% above the base rate to 4% above base rate
- For companies, holding increasing cash reserves to pay IHT may be treated as an 'excepted asset' for Business Relief purposes - any assets not used wholly or mainly for the purposes of the business and not required for future use in the business are likely to be exposed to inheritance tax at 40% and therefore may increase any inheritance tax liabilities further.



The government remains committed to making the tax system fairer by reducing the generous inheritance tax reliefs available to owners of large agricultural and business estates, while continuing to recognise the importance of farms and businesses to local communities and the wider economy."

PRESS RELEASE, INHERITANCE TAX RELIEFS THRESHOLD TO RISE TO £2.5M FOR FARMERS AND BUSINESSES, GOV.UK, 23 DECEMBER 2025

Pensions utility

From April 2027, pensions will no longer work as a shelter from IHT. But there are still very good reasons for continuing to use them as a key part of your clients' personal financial plans. Benefits of saving into a pension **will continue to include** the following after April 2027:

✓	Income tax relief on contributions for all rates of income tax
✓	Corporation tax relief on employer contributions
✓	No income tax or Capital Gains Tax (CGT) on investment assets within a pension
✓	25% Lump Sum Allowance (in most cases, although this is complex it remains unchanged by this budget)
✓	On first death, can pass the pension tax-free to a spouse or civil partner

But, if those savings equate to more than the pension-holder will use in their lifetime, those tax reliefs could be more than wiped out by IHT on death if the overall estate value is higher than the NRB.

But, consider this: If the pension-holder was an additional rate taxpayer who died before the age of 75, meaning no income tax is levied on the pension beneficiaries, 45% pension tax relief versus 40% IHT would leave a 5% tax benefit. Of course, for a basic rate taxpayer, any excess pension above the NRB at any age of death would likely see their pension beneficiaries legacies at least 20% down on the 20% income tax relief on the pension-holder's contributions (20% income tax relief versus 40% IHT).

PENSION BENEFICIARY RULES

If the deceased dies before age 75, then death benefits will usually be paid tax free (whether it is taken out as an income or lump sum). No change expected in 2027

If the deceased was 75 or older on death, the death benefits may be subject to income tax at the beneficiary's marginal rate. But, if after April 2027 a beneficiary pays Inheritance Tax on a pension fund, they will be able to claim a deduction against their income tax liability on any subsequent taxable pension withdrawals.

Where the estate has settled the Inheritance Tax liability, the beneficiary will have to reimburse the personal representative of the estate in order to qualify for this deduction.

Courses of action include:

- Taking into account liquidity concerns, review nominations for pension death benefits. A non or basic rate tax payer would pay less or no income tax on inherited unspent pension capital where the deceased is over 75. Other assets that don't generate an income tax liability could go to another beneficiary.
- Encourage the client to draw the tax-free lump sum from their pension. Even if this

cash is kept in the estate, there will be no income tax to pay on it by beneficiaries if the deceased is over the age of 75. But give serious consideration to planning with the cash to deliver required investor benefit and IHT efficiency. One option is to draw and plan, including by way of Business Relief, which may be helpful (with or without trusts) if an outright gift isn't appropriate (taking into account rising life expectancies which strengthen requirements for control and access).

7.6

Existing BR suitability considerations

The primary drivers of a Business Relief investment option still remain, so you should verify if:

1. The client needs accelerated qualification for IHT relief? (are they likely to live the 7 years for an IHT-free gift)
2. The client might need access to their funds before their death? (Care costs, cost of living concerns)

If so, do they have:

- **Sufficient experience** to make an informed decision about a BR-qualifying investment?
- **Sufficient capacity** for loss in relation to the portion of their portfolio to be invested in BR-qualifying assets?
- A **high tolerance** for risk in relation to the portion of their portfolio to be invested in BR qualifying assets.

If Business Relief is a potential recommendation, a risk/reward assessment is essential. It should cover items including:

- **Value** (including price and utility)
- **Volatility**
- **Liquidity**

For more on Business Relief through the Consumer Duty lens, see pages 51 to 79 of the fourth edition of this guide.

DEVELOPING BUSINESS RELIEF SUITABILITY CONSIDERATIONS

The reshaped estate planning landscape and scrutiny of mitigation methodologies as a result of the increasing value of assets potentially exposed to IHT suggests a wider range of solutions may be required to maximise protection.

There are likely to be trade-offs in the planning process where compromise is required to achieve the best results, from losing access to taking more risk, depending on each individual. In the following, changed perspectives on Business Relief suitability are discussed:

RISK PROFILE

Can a blended approach of Business Relief, trusts, gifting, insurance achieve an acceptable level?

- Business Relief is classified as high risk, but both the Financial Conduct Authority and the government have emphasized the need for some sensible, higher risk-taking with a suitable proportion of assets to meet financial objectives.
- Business Relief is not just for high-net-worth-individuals (HNWIs). The average minimum entry level for unlisted (non-AIM) BR offers is £39,000 (MICAP). Will this figure drop with greater need for diversification of planning methods with more clients seeing their estates top the NRB and use up other exemptions? Or will it trend upwards as the increasing size of taxable estates pushes up capital for which estate planning is needed? Both could be drivers for more Business Relief planning and claims.
- Where the recently announced changes to IHT and Business Relief are concerned, it is critical that you convey to each individual

an understanding of what threats those changes pose to the desired outcomes and the adjustments that could minimise them. That might include new, additional or adjusted Business Relief provisions

- Clients may agree to use a proportion of their funds to invest into a higher risk ‘product’ in order to meet a specific objective, but that objective needs to be clear and the client needs to be able to afford to take that level of risk for those funds.
- Where Business Relief represents an uptick in risk in a client’s portfolio, you must document shifts in risk profile in the client file, particularly where a mismatch with risk appetite appears to occur, explaining why such risks are being introduced and ensuring the client understands those reasons. According to the Consumer Duty, customers must: “be given the information they need, at the right time, and presented in a way they can understand. This is an integral part of firms creating an environment in which customers can pursue their financial objectives”, FCA final Consumer Duty Guidance.



For too long, we have presented investment in too negative a light, quick to warn people of the risks, without giving proper weight to the benefits...I also welcome the campaign to promote the benefits of retail investment which will launch next April.”

CHANCELLOR OF THE EXCHEQUER RACHEL REEVES,
MANSION HOUSE SPEECH, 15 JULY 2025.

AGE AND EARLIER PLANNING

As a result of the short two-year qualification period, Business Relief is often looked at as a last-minute or later stage planning solution. For TIME Investments, for example, the average age of Business Relief investors is 80, followed by a three to five year holding period. But, IHT and estate planning needs are extending to a far larger cross section of individuals, at an earlier stage in their lives as inflation, frozen thresholds and pension wealth takes them into IHT territory at a younger age. Earlier planning will provide the opportunity to manage larger liabilities giving advisers more time for mitigation strategies.

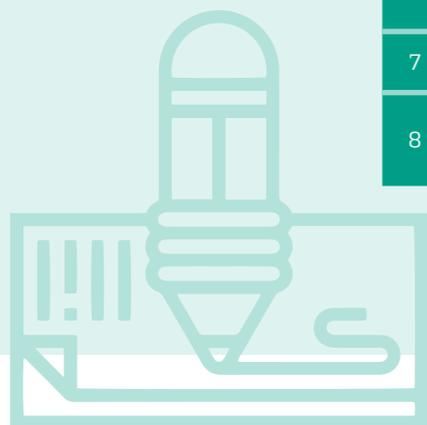
- As the age of 75 approaches and thereafter, the drive to place excess money elsewhere outside of a pension to avoid income tax and IHT, will increase. This may mean retirees at age 75 could start to draw down more rapidly on their pension pot and thereafter be looking for an IHT-efficient home for it.
- From April 6 2026 it will be possible to transfer up to £3.15 million (£2.5 million private BR qualifying shares @100% IHT relief + 50% business relief on the remaining £650,000 which would reduce the taxable amount to £325,000, covered by the nil-rate band) into a trust every seven years (as the £2.5 million “refreshes” for individuals every 7 years, although the £2.5 million is diminished by disposals of BR made in preceding 7 years) with 100% IHT relief on entry. Earlier planning will give time to start doing that and to be able to repeat it if necessary.
- This doesn’t negate Business Relief as a last-minute IHT planning tool: Business Relief qualifying failed PETs do not come back into the estate for the purposes of calculating the estate size for the RNRB taper. As a result, it is possible to make gifts of such assets in the knowledge that they

will definitely become failed PETs, in order to gain the advantage of being in a position to claim the RNRB. Even if the donor doesn't live for seven years, it doesn't matter as long as the trust or beneficiary continues to own the gifted shares for at least 7 years, or until the donor passes away (whichever is sooner). This can enable investors to maximise available reliefs while keeping ownership and control. It can also enable people to start planning younger without giving up access and control to the wealth they may need during their own lifetime.

- Where withdrawals above the tax-free pension withdrawal allowance (25% of the pot to a typical maximum of £ 268,275) need to be extracted from pensions, the Enterprise Investment Scheme (EIS) may be used to reinvest the capital and reclaim income tax penalties. This is more likely to be the case for younger clients who can wait for the five-to-seven-year time frame likely to be necessary to access their funds and who are in a position to reaccumulate any losses. Remember though, that the vast majority of EIS investments also qualify for Business Relief after two years and unlisted EIS-qualifying shares will count towards the £2.5 million APR and Business Relief 100% cap from April 2026.

Estate Planning checklist

1	Make use of deeds of variation where possible	✓
2	Review wills to ensure they are up-to-date and tax-efficient	✓
3	Maximise use of exemptions	✓
4	Make larger transfers out of capital to reduce estate – outright or to trust	✓
5	Review the status of the pension as a part of estate planning strategy	✓
6	Use appropriate trust-based IHT solutions where cash/ investments are available and access to income or capital is required	✓
7	Consider investing in relievable assets	✓
8	Fund for any residual liability using life insurance in trust	✓



ADDITIONAL EMERGING BUSINESS RELIEF CONSIDERATIONS

HIGHER VALUE BUSINESS RELIEF INVESTMENTS AND DIVERSIFICATION

With larger estates, diversification of both estate planning methods in general and Business Relief investments more specifically, becomes even more important. A broader range of Business Relief trades, managers and underlying sectors could be advisable to offset the risks of putting all a client's eggs in one basket.

ONGOING MONITORING EVEN MORE IMPORTANT

Advisers are required to monitor that clients remain suitable during the lifetime of any investment, not just at the outset. With a build-up of assets exposed to IHT and potentially greater IHT liabilities, ongoing review, already a key component of the Consumer Duty, becomes even more critical. This will help track when clients meet eligibility thresholds for the £2.5 million Business Relief band, for example, and when the RNRB taper is activated by the overall estate size exceeding £2 million.

LONGER TERM BUSINESS RELIEF HOLDING PERIODS

Earlier Business Relief investing will have the inevitable impact of extending the period for which those assets are held. But a longer term hold also puts an even greater onus on the adviser because, according to the regulator, "there will be times when customers are particularly exposed to harm, for example when they fall into arrears or are considering long-term investment decisions. The actions a firm needs to take to act reasonably in such circumstances may be greater than when a customer is making decisions which carry a lesser risk of adverse outcomes."

- A longer-term hold means fees are even more impactful.

CLARITY OF FEES AND RETURNS

The Consumer Duty demands that firms ensure that the fees and charges they impose on retail customers represent fair value, taking into account all costs, including advice fees, platform fees, product fees, and any other charges within the distribution chain. Firms should also be transparent about their fees and charges, ensuring customers understand what they are paying for. According to Mark O'Donnell, Insight manager at MICAP, there are a number of difficulties in comparing costs of Business Relief products against each other because of the variable fee structures. They include: "variable Annual Management Charge (AMC), whether share price is after AMC is taken or before, if AMC is contingent on one year performance, lifetime performance or taken every year also impacts. It's also worth factoring in if anything is included in the fee compared to standard. A small number of Business Relief offers have inbuilt insurances. A couple of offers have in built life insurance for the amount invested for someone who dies in the first two years of holding the investment (although these often have an additional per annum fee) and another has insurance should there be a fall in value of the investment up to 20%."

He goes on, "there are services that lend to a lender (in a couple of cases a lender that is linked to the investment manager). This lender needs to be a profitable company to maintain the loan book, pay its staff and operate. So, while it may have a loan from the BR service at -8.5% interest it will need to lend the funds out at a higher rate than that. Some offers will pay fees to third parties to manage an aspect of the service, e.g. a woodland management company, and these costs will impact performance, but if not outsourced will need to be borne by the investment manager." MICAP research has revealed that, in terms of average published fees (to investor and investee company) the seven-year average is 17.65% (allowing for initial,

ongoing and exit fees and charged to either the investor or investee company), but it may be worth requesting a full breakdown of fees and charges for any Business Relief offer you are interested in recommending to ensure that both you and your clients are fully informed at the outset on how fees are likely to impact returns.

- Higher return targets suggest more risk and advisers will need to think about whether such risk levels have a place in the first £1 million of BR/APR assets on which 100% IHT relief is available? Perhaps that is where capital appreciation and lower risk is most important for their client? Traditionally, AIM offers have been deemed higher risk with greater growth potential, so, perhaps the client is looking for a growth booster and is happy for a portion of their BR shares being in AIM-listed companies?



Private markets have become an important means for investors to diversify investment and seek new sources of return, and for corporates to obtain long-term capital to finance growth... Robust valuation practices are important for fairness and confidence in private markets... Without the frequent trading and regular price discovery present in more liquid public markets, firms must estimate private asset values using judgement-based approaches to meet applicable accounting standards. This introduces a risk that firms could inappropriately value private assets...

FCA, PRIVATE MARKET VALUATION PRACTICES,
MULTI-FIRM REVIEW, MARCH 2025

- Business Relief investment managers with experience and expertise have already started to launch unlisted, asset-backed Business Relief products with higher targeted returns than has been typical. These are intended to provide a potential growth boost while retaining 100% IHT relief (up to £2.5 million). Generally, they are adapting strategies in trades in which they already have a track record – such as lending – to increase return potential. Where this is the case, advisers should be able to clearly identify how the additional return is achieved (what additional level of gross return - before all fees - is required), the additional risks involved and whether the potential benefits outweigh the possibly heightened risks.

THE GROWING IMPORTANCE OF VALUATIONS

Private valuations have drawn the attention of the FCA, which published its ‘Multi-firm review of valuation processes for private market assets’ in March 2025. In it, the regulator stated that, “investors need fair and appropriate valuations to understand the performance of their investments and make informed decisions, such as on asset allocation and manager selection. Where open-ended fund structures invest in private assets or firms transfer private assets between vehicles, transaction prices can often rely upon valuations, meaning robust valuations are important for fairness between buyers, sellers and remaining investors. In some cases, firms may also use valuations to calculate management and performance fees paid by investors.” There have been recent accusations against a major Business Relief manager in the unlisted market where investors have complained that unacceptable conflicts of interest are present where large performance fees have been paid to investment managers based on their own valuations, which have then dropped significantly.

- Unrealistically high valuations could mean disappointing growth, difficulty for the BR fund to achieve liquidity at preferred prices to fund exits, and even unnecessary filling of the £2.5 million BR/APR 100% allowance, forcing any excess to lose 50% of its relief.
- Accountancy firms such as KPMG have also pointed out that, with the introduction to a limit on 100% BR/APR, IHT charges could arise on assets that currently attract full BR. Affected taxpayers should therefore be satisfied that, if required to do so by HMRC, they could justify the valuation placed on those assets for IHT purposes. There is an expectation that HMRC will scrutinise how qualifying shares have been valued for IHT purposes from 6 April 2026 as tax will then be at stake – both in relation to whether the £2.5 million limit on 100% BR has been exceeded and for the purposes of calculating any IHT due where it has. According to KPMG, “This can apply equally to AIM listed shares as, if they are thinly traded, HMRC might not consider that their published price necessarily reflects their tax market value.”
- Nevertheless, the value of AIM shares is simply governed by market demand, unlisted shares have far less frequent valuations of the underlying assets and these are necessarily more subjective until any actual sale. As an index, it is also possible to draw benchmark comparisons with other similar indices such as NUMIS to help judge performance.
- These changes mean that tax valuations of shares will be required in 2026/27 and subsequent years which were not needed before, for example when:
 - Individuals make chargeable lifetime transfers (e.g. by settling shares in a family trust);
 - Trustees are subject to 10-yearly charges on shares in a settlement, and/or exit charges when distributing shares to beneficiaries; and
 - Executors are subject to IHT in respect of shares (including in relation to ‘failed’ potentially exempt transfers and chargeable lifetime transfers made fewer than seven years before the date of death).
- For advisers looking to recommend unlisted BR funds, it is increasingly important to consider how the underlying assets are valued. The regulator has found that “robust valuation processes were those that could evidence independence, expertise, transparency and consistency.” The FCA particularly expects firms to consider whether they should make improvements in:
 - The governance of their valuation process.
 - Identifying, documenting, and addressing potential conflicts in their valuation process.
 - Ensuring functional independence for their valuation process.
 - Incorporating defined processes for ad hoc valuations.



Valuation questions

- ? Who is valuing the underlying assets?
- ? Is there any lending against the assets?
- ? Is there a valuation committee that is independent of the investment committee?
- ? How often are the assets valued to take account of changes in market conditions?
- ? Are there any independent parties on the valuation committee or involved in the oversight of the valuations to eradicate conflicts of interest?
- ? If discounted cashflow is the valuation method used, are all the assumptions reasonable and up to date?
- ? Where appropriate, are assumptions independently sourced and in line with inflation?
- ? Are both realised and unrealised performance included in the marketing materials?
- ? What is the justification for the discount rate used?

AVAILABILITY OF TAX FREE ANNUAL IHT INSTALMENTS:

This could be an extremely useful new aspect of Business Relief which offers a solution where insufficient liquidity is available to pay a new or increased IHT liability: From 6 April 2026, the option to pay Inheritance Tax by equal annual instalments over 10 years, interest-free, will be extended to all property which is eligible for agricultural property relief or Business Relief, regardless of the applicable rate of relief. For deaths on or after 6 April 2026, the first instalment will be due 6

months after the end of the month in which the person died. Payments are then due every year on that date for the duration of the 10-year period. For chargeable lifetime transfers (including Inheritance Tax entry charges on property settled into trust), the first instalment is due at the time the tax would normally be due if it were not being paid by instalments. Payments are then due every year on that date for the duration of the 10-year period. If the property is sold and the instalment option ends, interest is payable from the day after the date of sale to the date that the outstanding inheritance tax is paid.

AVAILABILITY OF GIFT HOLD-OVER RELIEF:

IHT is not the only tax liability to take account of when making gifts – capital gains taxes may also be incurred. But, gift hold-over relief remains available for APR and Business Relief qualifying assets where they are given away. This relief defers capital gains tax by the transferor and transferee jointly claiming gift hold-over relief, until the person given them disposes of them. For gifts of business assets, the donor must be a sole trader or business partner, or have at least 5% of voting rights in a company (known as their ‘personal company’) and use the assets in their business or personal company. For gifts of shares, they must be in a company that’s either not listed on any recognised stock exchange (AIM fits this category as do shares in private asset backed BR offers) or the donor’s personal company. As is the case for BR qualification, the company’s main activities must be in trading, for example providing goods or services, rather than non-trading activities like investment.

AVAILABILITY OF DIRECT PAYMENT SCHEME

Some BR investment managers are signed up to the Direct Payment Scheme where the proceeds from the sale of Business Relief investments are sent straight to HMRC to meet IHT liabilities. This can mean there are funds with which to pay the IHT bill even before probate is granted, which could be well after the six-month IHT payment deadline. Executors can use form IHT423 to ask the deceased’s BR investment manager to transfer funds directly to HMRC from their investment proceeds. This avoids the need to look elsewhere for funding.

Required documentation for gift hold-over relief claims

HS295 FORM

Joint claim form to be completed by the donor and recipient

ASSET VALUATION

Evidence of the market value of the asset at the time of transfer.

CHARGEABLE GAIN CALCULATION

Details of the gain on which the relief is being claimed.



Closing Statement

ANDREA JONES

NATIONAL HEAD OF PRIVATE CLIENT ADVISORY, IRWIN MITCHELL

How BR reform is reshaping estate planning strategies

From 6 April 2026, significant reforms to BR and APR are due to take effect, capping 100% IHT relief at £2.5 million for combined qualifying assets, with amounts in excess receiving 50% relief. Transfers to trusts and ongoing IHT charges on trusts are also subject to the cap. In addition, relief on shares traded but not listed on the markets of a recognised stock exchange (including AIM shares) will be restricted to 50%. Following the announcement in December 2025 that the cap on 100% relief would be extended from £1 million to £2.5 million, the Treasury now expects the reforms to result in up to 1,100 estates paying more IHT in 2026-27.

Strategic responses and planning opportunities

Historically, the combination of IHT relief and the CGT uplift in base cost to market value on death has discouraged lifetime transfers of business assets, as have concerns around protecting family business wealth within the bloodline. The proposals have, in contrast, motivated many to consider pressing ahead with lifetime gifting, relying on holdover relief to manage related CGT liabilities and, where feasible, taking out 7-year term assurance to cover IHT exposure.

As a result of these changes, we are likely to see several trends emerge. Fragmentation of ownership across families is likely to multiply access to the £2.5 million allowance. Wills of business owners will need careful review to correctly capture BR under the new legislation. Following the 2025 Budget, the allowance is now transferrable between spouses, meaning it operates in a similar way to the nil-rate band and the residence nil-rate band.

Valuation accuracy will be essential to determine tax exposure. The ability to pay tax in 10 interest-free annual instalments is a welcome measure, but careful planning will still be needed to fund IHT liabilities, particularly where they will be met by company assets.

Integrated planning in a changing IHT landscape

Planning with trusts will continue to play a role in business succession, particularly where asset protection and control are important. Existing structures and their reporting obligations will need to be reviewed by advisers who understand these complex rules and the importance of taking a holistic approach to succession. Diverse asset protection mechanisms can be used to create layers of protection, such as different share classes that facilitate gifting growth whilst retaining control, constitutional review to restrict the transfer of shares, and the use of pre/post-nuptial agreements.

The proposed changes are part of a broader readjustment of the UK's IHT landscape. From 2027, unused pension funds will be brought within the scope of IHT. These new proposals follow the dramatic increase in IHT exposure for non-UK individuals and structures in April 2025. Our recent IHT report predicts that by 2026/27 over 37,000 estates will be liable for IHT, with the total annual bill projected to reach nearly £9 billion.

Those affected should revisit succession plans and business structures without delay, especially given the narrow window to make unlimited 100% BR-qualifying transfers into trust before 6 April 2026. Any immediate action or phased asset transfers must still fit family dynamics and support longer-term objectives.



Appendix

Summary of current IHT regulations

The main provisions of current IHT law are described in the Inheritance Tax Act 1984 (IHTA84). To review the full Act, visit:

www.legislation.gov.uk/ukpga/1984/51/contents

Nil Rate Band and Residence Nil Rate Band Thresholds

There is normally no IHT to pay if either:

- » the **value of the estate** beneficially owned by the deceased is below the £325,000 (frozen from 2009/10 to April 2031) threshold (the NRB).
- » the deceased leaves everything to their spouse or civil partner, a charity or a community amateur sports club.

If the deceased leaves their home to their children in their will (including adopted, foster or stepchildren or grandchildren), the RNRB comes into play. The RNRB has been frozen at £175,000 per person since 2021/22 and will remain that way until April 2031. But where a person died before 6 April 2017, their estate will not qualify for the relief and estates worth more than £2 million will be subject to a relief taper of £1 for every £2 by which the estate exceeds £2 million (frozen at this threshold from 2021/22 to April 2031). However, the RNRB also allows for downsizing of a property, and the transfer of unused RNRB. HMRC Guidance with examples of downsizing scenarios can be found at:

<https://www.gov.uk/guidance/how-downsizing-selling-or-gifting-a-home-affects-the-additional-inheritance-tax-threshold>

Married couples or those in a civil partnership with an estate worth less than the IHT threshold can pass on any unused NRB or RNRB to their surviving spouse or civil partner. This means the surviving spouse or civil partner can have an exempt amount up to £1 million.

It's the unused percentage of the RNRB that's transferred, not the unused amount. For a breakdown of the calculation, go to:

<https://www.gov.uk/guidance/inheritance-tax-transfer-of-threshold>

The rate of IHT on death is 40% on assets above the threshold and 20% on lifetime transfers where chargeable.

Life Assurance

Life assurance arrangements can be used as a means of removing value from an estate and also as a method of funding IHT liabilities, including covering IHT due on death. It should be remembered that the prospect of saving IHT should not be allowed to jeopardise the financial security of those involved.

Charity

An estate can have a reduced rate of IHT of 36% on some assets if the deceased leaves 10% or more of the 'net value' (after deducting IHT exemptions, reliefs and the NRB) to charity. For more guidance on charity donations and IHT go to: www.gov.uk/donating-to-charity/leaving-gifts-to-charity-in-your-will

Gifts

People given gifts by deceased parties might have to pay IHT, but only if the deceased gives away more than £325,000 and dies within seven years. Examples of gifts can be:

- » transfers to a company or a trust (except a disabled trust). These are immediately chargeable (chargeable lifetime transfer) if the asset being transferred is worth more than the available NRB, unless an exemption applies. (Every seven years a full NRB will be available to make chargeable lifetime transfers).

- » exempt gifts which will be ignored both when they are made and also on the subsequent death of the donor, e.g. gifts to charity.
- » any other transfers will be potentially exempt transfers (PETs) and IHT is only due if the donor dies within seven years of making the gift (this is termed a failed PET and is subject to taper relief depending on how many years before the donor died the gift was made).
- » between spouses – these are generally IHT exempt if both spouses or civil partners are either UK or non-UK domiciled.
- » the annual exemption allows the giving of a total of £3,000 worth of gifts each tax year without them being added to the value of an individual's estate. They can give gifts or money up to £3,000 to one person or split the £3,000 between several people. Any unused annual exemption can be carried forward to the next tax year – but only for one tax year. The tax year runs from 6 April to 5 April the following year.

The small gift allowance allows individuals to give as many gifts of up to £250 per person as they want each tax year, as long as they have not used another allowance on the same person.

- » gifts in consideration of marriage made by a parent of up to £5,000 are exempt, with lower limits for other donors.
- » birthday or Christmas gifts given from an individual's regular income are exempt from Inheritance Tax.
- » gifts out of income are exempt from IHT. These should be habitual and must not result in a fall in the standard of living of the donor. An example would be payments of annual premiums on life insurance policies.
- » family maintenance gifts such as the transfer of property made on divorce under a court order, or maintenance of a dependent relative are also IHT exempt.

- » gifts to political parties benefit from IHT exemption when the donation is to a political party that, at the last election preceding the transfer of value, had at least two MPs or one seat and 150,000 votes.
- » gifts for national purpose can be exempt from IHT when they pass to a new owner that is an institution that exists to preserve a collection of scientific, historic or artistic interest for the public benefit, or any library serving the needs of teaching and research at a UK university. For guidance on gifts and IHT go to:

<https://www.gov.uk/inheritance-tax/gifts>

Trusts

Trusts will generally take assets held within an individual's estate outside the estate for IHT purposes (provided the donor does not obtain any benefit or enjoyment from the trust), reducing the size of the estate and the assets on which IHT is payable. For guidance on Trusts and IHT go to: <https://www.gov.uk/trusts-taxes/trusts-and-inheritance-tax>

Business Relief (BR)

This applies to provide up to 100% relief where the business is undertaking qualifying activities, where the owner of the shares has owned them for two years or more. These rules change from 6 April 2026 onwards. Reinvesting proceeds from a business sale into another qualifying business will still allow 100% BR, but only up to the £2.5 million limit. Thereafter, 50% BR will apply.

Agricultural Property Relief

This is available on the transfer of agricultural property so long as various conditions are met. From April 2026 APR-qualifying assets will share the £2.5 million cap on 100% IHT relief with BR. For more guidance on Agricultural Relief for IHT go to: www.gov.uk/guidance/agricultural-relief-on-inheritance-tax

Other useful information

For detailed information on HMRC's specific approach to BR, go to Section 11: relief for business property, the Valuation Office Agency's (VOA) technical manual relating to IHT. Visit:

www.gov.uk/guidance/inheritance-tax-manual/section-11-relief-for-business-property

Listed Shares

Check what is classified as a recognised stock exchange here:

www.gov.uk/guidance/recognised-stock-exchanges

Pre-clearance

Qualification is not always clearcut and pre-clearance from HMRC (as is common with EIS) is often unavailable. However, in relation to certain lifetime transfers, a business owner can apply to HMRC to see whether BR is potentially available in respect of business property. This is a non-statutory procedure and is only available in cases where there is a material uncertainty as to the status of property. For information about HMRC clearance services, visit:

www.gov.uk/guidance/non-statutory-clearance-service-guidance

HMRC Guidance on the Meaning of Investment for the purposes of Business Relief

www.gov.uk/hmrc-internal-manuals/shares-and-assets-valuation-manual/svm111160

Schedules for claiming the relief

To download form IHT400 (Inheritance Tax Account), go to: <https://www.gov.uk/government/publications/inheritance-tax-inheritance-tax-account-ih400>

To download schedule IHT412 (Unlisted stocks and shares, and control holdings), go to: assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774315/IHT412.pdf

To download schedule IHT413 (Business or partnership interests and assets), go to: assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705300/IHT413_0118_online-v2.pdf

To download schedule IHT423, Direct Payment Schemes for Inheritance Tax, go to: assets.publishing.service.gov.uk/media/5e553e16e90e074dcd5bd273/Direct_Payment_Schemes_for_Inheritance_Tax_IHT423_.pdf

About TIME Investments

TIME Investments is one of the most experienced Business Relief managers and our team boasts a wealth of experience and a long track record of successfully mitigating Inheritance Tax for our clients. We currently manage more than £1.7 billion of BR qualifying assets (as at 30 September 2025) on behalf of more than 9,000 private investors and business owners seeking to maximise the financial legacy they leave for future generations.

We have received consistent recognition for our customer service, winning a number of industry leading awards including the stop score of five stars four years in a row at the Financial Adviser Service Awards. Our BR services have also received recognition and we have been named 'Best Business Relief Investment Manager' five times at the Growth Investor Awards for our asset-backed and AIM BR services, most recently in 2023.



How our investments are making an impact

Renewable Energy

£962 million invested across four renewable energy technologies



308,000

UK homes powered each year, the equivalent to powering all the homes in Liverpool for a year



172,000

tonnes of CO2 offset each year, the equivalent of planting over £5 million trees



Property development

Over 2,500 new homes built



Forestry

Over 17,000 acres of sustainably managed forests across the UK.

SOURCE: TIME INVESTMENTS, 31 DECEMBER 2025
UK homes powered based on Ofgem typical domestic usage, carbon offsetting based on UK Government GHG Conversion Factors for Company Reporting, carbon footprint of homes based on UK Housing

Our Business Relief services

We offer three IHT services that invest in BR qualifying trades and we are delighted that so many advisers have already put their faith in us, on behalf of their clients.

	TIME:ADVANCE	TIME:CTC	TIME:AIM
	Private investors	Corporate investors	Private investors
	Net target return 3% - 4.5% p.a.	Net target return 3% - 4.5% p.a.	N/A
	Discretionary managed portfolio	Bespoke IHT service	Discretionary managed portfolio
	Asset backed businesses	Asset backed businesses	AIM quoted companies
	Diversified across 7 trades	Predominantly invested in property lending	Diversified across 30 AIM companies

Get In Touch

We are dedicated to supporting the adviser community and have one of the largest teams in our sector. Our experienced team of over 30 Business Development Managers provide full regional coverage with dedicated points of contact. Our team is always on hand to support advisers and paraplanners.

Please find your local relationship manager by entering your postcode at: time-investments.com/BDM

020 7391 4747 time-investments.com questions@time-investments.com

Important information

TIME Investments is a trading name of Alpha Real Property Investment Advisers LLP and is authorised and regulated by the Financial Conduct Authority. The levels and bases of, and reliefs from, taxation may change in the future. Any favourable tax treatment, such as Business Relief, is subject to government legislation and as such may change. Past performance is not necessarily a guide to future performance and there is no guarantee that the target return objectives of TIME:Advance, TIME:CTC or TIME:AIM will be achieved, you should recognise that your client's capital is at risk and they may not get back what they invest. All information correct at June 2025.

Support Tools and Resources

BR Service Managers



Documentation, research, briefings and seminars, often CPD accredited, are regularly supplied by service providers. Advisers must make their own objective service comparisons, but in terms of education and relationship building opportunities, provider support can be very useful. For example, TIME Investments offers an IHT calculator that allows you to calculate your client's potential IHT liability in five easy steps at:

www.ihtcalculator.com

www.time-investments.com

Industry Bodies



www.sifa.co.uk



www.societyoflaterlifeadvisers.co.uk



www.step.org



www.micap.com



www.hardmanandco.com



www.consumerduty.org

Tax Efficient Review

www.taxefficientreview.com

powered by
intelligent.
partnership*

About Intelligent Partnership

Intelligent Partnership is the UK's leading provider of insights and education in the tax advantaged and alternative investments space.

We organise focused events and provide a suite of materials to keep advisers and industry professionals up to date with the latest developments and on course to meet their training and CPD targets.

Our range of engaging, accessible and CPD accredited resources includes:



INDUSTRY UPDATES

Free, award winning series including EIS, VCT, BR and AIM Updates offering ongoing observations and intelligence, the latest thoughts and opinions of managers and providers and a comparison of open investment opportunities.

www.intelligent-partnership.com/research-format/publications



ACCREDITATION

Our CPD tax planning online accreditation programme is aimed at regulated advisers, wealth managers, paraplanners, accountants and solicitors that require a recognised level of knowledge and understanding in EIS, SEIS, VCT and Business Relief.

accreditation.intelligent-partnership.com



WEEKLY INVESTMENT BRIEFINGS

A weekly snapshot of the latest articles, commentary and market data for financial services professionals on tax efficient investment and estate planning.



PROVIDER SPOTLIGHT EMAILS

A deeper dive into individual providers giving their input on particular market issues and more detail on the strategies and offerings they have developed to address them.



AWARDS, CONFERENCES, WEBINARS AND WORKSHOPS

Our dedicated programme includes a variety of in-person and virtually hosted events, across the country. Supporting financial advisers and the tax planning community, we facilitate knowledge building of tax wrappers in a workshop environment. We host webinars and conferences that focus on specific areas of tax and estate planning and celebrate the role of the UK SME investment and finance communities through our annual Growth Investor Awards.

We welcome any feedback on our resources. Please send an email to:

publications@intelligent-partnership.com



Labour's October 2024 budget was a game changer for Business Relief. While cutting the value of Business Relief available, it pushed up IHT drivers, while formalising a now £2.5 million 100% Business Relief allowance which has led to even more mainstreaming of BR as an important and diversifying estate planning tool."

GUY TOLHURST

INTELLIGENT PARTNERSHIP