

# Inheritance tax reforms confirmed for farms and businesses

## What you need to know:

Earlier this year, the government ran a consultation on the implication of the changes to inheritance tax announced in the Autumn 2024 Budget, so far as they applied to certain types of trust. Its outcome was published on 21 July along with the much-anticipated draft legislation on the changes to inheritance tax overall.

This now provides greater certainty and technical detail about the reforms and how they will work. The key takeaway is that there has been no major government U-turn, despite extensive lobbying from interested groups. This means that the position going forward remains broadly as expected.

## A reminder of the changes:

From 6 April 2026 only £1m of a person's assets will be eligible for 100% agricultural property relief ("APR") and business property relief ("BPR"). Beyond that £1m allowance, APR and BPR will be available at only 50%. This brings a huge number of farms and businesses into the IHT net.



## Key details now confirmed:

- 1** The allowance (like the familiar £325,000 nil rate band) will ‘refresh’ every seven years, meaning that an individual can settle £1m of relievable property into trust every seven years.
- 2** Unlike the £325,000 nil rate band, however, any unused portion of the £1m allowance cannot be transferred between spouses. This point was widely criticised in the consultation, but the government have not conceded. This means individuals should review their wills to ensure that, where possible, everyone makes full use of their £1m allowance. The fact that the £1m allowance is not transferable may lead families to divide their businesses or farms between themselves in order to use as many allowances as possible. It should be noted that the consultation response confirms a relaxation in the original anti-fragmentation rules that had been proposed.
- 3** Helpfully, any pre-Budget succession planning (i.e. gifts of APR or BPR assets) will be subject to the rules at the time. So if someone dies after next April, but within seven years of having made a pre-Budget gift, the current rules (i.e. full BPR and APR) will apply.
- 4** There will be a relaxation in the usual ownership/occupation rules for transfers of APR/BPR qualifying assets before April 2026 to enable planning that would otherwise not be possible.
- 5** IHT on agricultural and business property can be paid over ten years in interest-free instalments. As the interest rate on unpaid IHT is currently extremely high, this is helpful.
- 6** On an individual’s death, the £1m allowance will be shared with any trusts in which they have a ‘qualifying interest in possession’.
- 7** Trustees of ‘relevant property trusts’ (i.e. those that are subject to IHT charges every ten years) will have a £1m allowance, which will refresh every ten years.
- 8** Trusts created before 30 October 2024 that held relievable property will each have their own £1m allowance. For any trusts created subsequently, the settlor’s £1m allowance will be split between them.
- 9** For trusts created before 30 October 2024, no IHT exit charges will arise on distributions of APR or BPR qualifying assets until those trusts have passed their first tenth anniversary. After the first tenth anniversary, the new regime will apply.

## What next?

Now that the government has confirmed the technical detail for these reforms, there is a valuable opportunity to plan ahead before these changes are implemented on 6 April 2026. Please get in touch with our Private Client team to discuss how these changes may impact you and what steps you can take to put effective plans in place. We are here to guide you through the options available and make the most of any planning opportunities.

## Contact us

Please do get in touch with your usual Forsters contact or email us at [enquiries@forsters.co.uk](mailto:enquiries@forsters.co.uk).

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