

Finance Bill 2025-26

Representation from the Association of Taxation Technicians (ATT)

Clause 62 and Schedule 12: Inheritance Tax: Agricultural Property Relief and Business Property Relief

Executive Summary

These measures place a cap on the amount of Agricultural Property Relief (APR) and Business Property Relief (BPR) available at the maximum 100% for individuals and trustees from 6 April 2026.

While some welcome modifications to the application of the cap were announced at Budget 2025, following by an increase to the limit in December, we remain concerned about the impact of the anti-forestalling rules, which mean that the new allowance can apply to gifts or transfers made between 30 October 2024 and 6 April 2026. Given the substantial impact of this change we would like to see the existing rules retained in full up to and including 5 April 2026 to allow businesses and farmers, particularly older people who have previously relied on a settled regime in which it made sense to retain assets until death, to plan more effectively.

We consider that as part of introducing these new restrictions, the Government should take steps to remove the need to demonstrate 'undue hardship' from the company purchase of own shares rules to enable more trading companies to use this route to settle these new IHT liabilities.

1. Background

- 1.1. Clause 62 and Schedule 12 introduce measures to restrict the amount of relief available at 100% on agricultural and business property to an allowance of £1 million from 6 April 2026 for individuals. The Government announced on 23 December 2025 that the bill will be amended to raise the cap to £2.5 million.¹
- 1.2. The full 100% relief is typically available on assets such as shares in an unlisted company which is wholly or mainly trading, interests in a sole trade or trading partnership, or farmland and buildings in agricultural use - subject to various conditions including minimum ownership periods. The relief therefore generally benefits business owners, farmers and landowners where land is farmed by others. From 6 April 2026, if an individual owns 100% qualifying assets in excess of the £2.5 million allowance they will be restricted to 50% relief, and will therefore be charged an effective IHT rate of 20%. This is half the standard rate of IHT which is 40%.
- 1.3. The introduction of a £2.5 million allowance per individual, and a set of complex rules for limiting 100% APR/BPR in trusts is a significant change. The Government made some welcome concessions at Budget 2025 to make the allowance transferrable between spouses and civil partners, in line with the existing nil rate band and residential nil rate band. There are also welcome provisions for additional allowances for individuals whose spouse or civil

¹ [Inheritance tax reliefs threshold to rise to £2.5m for farmers and businesses - GOV.UK](#)

partner died before 6 April 2026. Finally, further changes to increase the cap were made just before Christmas which are also significant and welcome.

2. Anti-forestalling rules

- 2.1. For the last three decades, the customary advice to farmers and businesses has been to hold on to assets which qualify for 100% APR/BPR and pass them via death. While it can be argued that there are merits in amending the system to encourage such individuals to pass on assets to the next generation earlier, for many older farmers and business owners who have followed this advice, there is now too little time to make gifts and survive seven years for the value to come out of their estate.
- 2.2. The measures were first announced on 30 October 2024, and the Finance Bill legislation includes anti-forestalling rules at para 17 of Schedule 12 (*Commencement*) which mean that if an individual dies on or after 6 April 2026, having made a gift between 30 October 2024 and 6 April 2025, they will still be caught by the new £2.5 million allowance if they die within seven years of the gift.
- 2.3. In contrast, an individual who dies before 6 April 2026, having made qualifying gifts between 30 October 2024 and 6 April 2025, will still receive 100% relief. Some other commentators have referred to this as a cliff edge effect, and it has led to concerns that some farmers or business owners may consider taking their own lives prior to 6 April in order to save their families from a significant IHT bill.
- 2.4. Although the cap has been increased, we suggest that the legislation should still be amended to remove the relevant portion of the commencement provisions to allow individuals to continue to benefit from full relief until 6 April 2026 and allow older farmers and business owners to take steps to manage their IHT position before the new rules come into force.

3. Allowing more flexibility for funding IHT for trading companies

- 3.1. In certain, limited, circumstances, unquoted trading companies can buy back their own shares held by a deceased shareholder in order to fund the estate's IHT liability.
- 3.2. We think that these rules should be reviewed and made more flexible to allow more companies to use this route to settle IHT liabilities. This is not something currently covered by the Finance Bill, and would be a welcome addition. Specifically it would be helpful if the requirement for the executors to demonstrate there would be 'undue hardship' if the purchase was not permitted was removed.
- 3.3. While this would not solve funding challenges for all shareholders, it would be a welcome measure for larger businesses to help maintain both ongoing capital investment and IHT payments.

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Note:

The Association of Taxation Technicians

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Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

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