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Action for Landowners, Farmers and Business Owners - Business Property and Agricultural Property Relief Reforms



SUMER
NORTHERN IRELAND

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On 21 July 2025 the Government published the 2025-26 Finance Bill (Finance Bill 2025-26 - GOV.UK)

The Bill includes draft legislation regarding the Business Property Relief (BPR) and Agricultural Property Relief (APR) for Inheritance Tax (IHT) reforms, due to come into effect from 6 April 2026.

The draft legislation mirrors the plans outlined in the Autumn Budget last year. The draft legislation represents the biggest change in the IHT landscape for over 30 years and, for the many families in Northern Ireland whose wealth is tied up in their business or farm, timely planning will be critical.

Below we have summarised the changes, who is likely to be affected and how our specialist private client team can help you prepare.

Please note: The consultation on the draft legislation is now open and will close on 15 September 2025. The Chancellor will make final decisions about the introduction of this legislation in the next Budget, which is expected to take place in Autumn 2025.

Why are the rules changing?

The changes mark the most significant reform to IHT for farms, businesses, and landowners since 1992 under John Major's government, when the top rate of relief for both agricultural and business property was raised to 100%.

The current UK Government say that that limiting full relief at £1 million makes for a more fairer system, helps protect modest family farms and businesses and raises revenue to support public services and fiscal sustainability.

However, tax professionals would argue that the Government has underestimated the number of businesses and farms that will be impacted by these changes. The key for many will be the timing of succession planning and good advice, with the Government accepting that the number of businesses affected will be seriously reduced by relevant tax planning.

What are the changes introduced on 6 April 2026?

• A £1 million per-individual "100% relief allowance" will apply to the combined value of assets qualifying for 100% APR and/or 100% BPR. Any qualifying value above £1 million will attract relief at 50% instead of 100%. (Effective IHT exposure on the excess therefore increases from 0% to 20%, assuming the standard 40% IHT rate.)

- The same £1 million allowance applies to trusts for qualifying agricultural and business property within relevant property trusts.
- Shares admitted to trading on recognised stock exchanges designated as "not listed" (e.g. AIM) will only receive 50% BPR in all circumstances. Certain qualifying shares traded on non-recognised

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- foreign exchanges will also be limited to 50%.
- The option to pay IHT by up to 10 equal annual instalments, interest-free, will be extended to all property eligible for APR/BPR.
- Trust exit charge rates will be standardised meaning any exit charges calculated on unrelieved values (i.e., before APR/BPR), regardless of timing relative to the first 10-year anniversary.

The Policy Paper which accompanies the draft legislation confirms that a married couple can pass on up to £3m tax free between them where the £1m APR/BPR allowance, full Nil-Rate Band (£325k) and full Residence Nil-Rate Band (£175k) are available. This does rely on both partners using their £1m allowance given that the £1m allowance is currently not transferrable between spouses.

Who will be affected?

These reforms will be wide reaching, and you could be affected if you are:

• A farmer or landowner with agricultural land, farm buildings or farmhouses held personally, in partnership, or via company/LLP structures
• An owner-managed trading business where company shares or business assets currently attract 100% BPR
• An investor in AIM or other "not listed" market shares historically used for BPR planning
• A personal representative administering the estate of someone who has died holding agricultural or business property
• An individual making lifetime gifts (chargeable lifetime transfers) of agricultural or business assets
• A trustee (or settlor) of a trust that holds, or may receive, agricultural or business property, including existing family trusts created for succession, asset-protection, or equalisation purposes.

What should I do between now and April 2026?

Engage with us, or your professional advisers to review your business structure, succession plan and personal wills/letters of wishes so that you understand how these changes will affect you and your options for mitigating new tax liabilities.

We strongly recommend you review your current position if you haven't already so that you are aware of how these changes may affect your business.

Please reach out to Nikki Averell (nicola.averell@sumerni.co.uk), Caroline Keenan (Caroline.Keenan@sumerni.co.uk), Jessica Graham (jessica.graham@sumerni.co.uk) or Jordan Adams (Jordan.Adams@sumerni.co.uk) and we would be more than happy to set up a meeting or a call to discuss these important changes.

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