

Business Property Relief and Agricultural Property relief changes from the Autumn Budget

Synopsis: The latest news on the current status of the previously announced changes to IHT Business Property Relief and Agricultural Property Relief.

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The following are extracts from a House of Commons Library research paper entitled "Changes to agricultural and business property relief for inheritance tax" [CBP-10181.pdf](#).

Fundamental background

At Autumn Budget 2024, the Government announced that, from 6 April 2026, the availability of 100% relief for agricultural and business property would be capped. Assets eligible for 100% Agricultural Property Relief (APR) and assets eligible for 100% Business Relief, also known as Business Property Relief (BPR), would qualify for full relief up to a sum of £1 million. 50% relief would apply thereafter.

The Government is proposing to make assets eligible for BPR and APR (added together) count towards the £1 million cap. The Government has said that the majority of estates claiming APR and BPR will not be affected by these changes. The Government said that the changes are intended to target a wealthy minority of estates.

Due to how inheritance tax (IHT) is administered, the latest available data was released in July 2024 and relates to the 2021/22 tax year.

How many estates pay IHT?

In 2021/22, 27,800 of all UK deaths (634,000) resulted in an IHT charge. This is equivalent to 4.39% of all UK deaths in that year. 2021/22 experienced the highest number and percentage of deaths resulting in an IHT charge since 2016/17.

How many estates claimed APR and BPR?

In 2021/22, 1,730 estates claimed APR and 4,170 estates claimed BPR. The 4,170 estates represent 6% of the estates notified to HMRC using IHT returns with a net estate (before exemptions and reliefs) in 2021/22, and 0.7% of all deaths in the UK in that year. In the same year, APR cost the Treasury around £0.6 billion and BPR cost the Treasury around £1.1 billion. The majority of the cost of the reliefs goes towards claims for assets worth over £1 million.

How many more estates will pay more IHT as a result of the changes to APR and BPR?

It's highly uncertain. However, subject to that uncertainty, HMRC has estimated that around 2,000 estates will pay more tax following the policy change. Of these, around 520 are expected to contain claims for APR. This also includes estates

where BPR has been claimed. Around 1,440 are for BPR only, including 1,150 which include claims on unlisted shares.

How much would the changes to APR and BPR raise?

The Office for Budget Responsibility (OBR) forecasts that the policy would increase receipts by around £0.5 billion a year from 2027/28. The OBR says, however that there is a high level of uncertainty about the estimates because it is unclear exactly how people will change their behaviour, given the range of options available

What are the next steps for the APR and BPR changes?

The changes are due to be implemented in April 2026, and they are not included in the Finance Bill 2024-25, which is currently before Parliament.

The Government has said that it will “publish a technical consultation in early 2025.” This has not yet taken place.

In response to a parliamentary question, Financial Secretary to the Treasury, Lord Livermore, said the Government will produce an impact assessment when the draft legislation is introduced.

During the second reading debate of the Finance Bill 2024-25, on 27 November 2024, the then Economic Secretary, Tulip Siddiq, [said](#) that the Government was committed to technical consultation on tax legislation, adding: “We feel it is important to get complex legislation right, and to give businesses and those affected by tax changes the certainty that they need ahead of the measures coming into force. The government will publish draft legislation on this measure before legislating for it in a future Finance Bill.”

This gives some hope for a wide ranging consultation.

However, the Treasury’s summary of policy changes to APR and BPR, says that the consultation will focus specifically on the application of the allowance to trusts.

This has caused concern among agricultural organisations. The heads of several organisations representing farmers and the rural economy wrote to the Chancellor in January 2025, asking for the consultation to extend to other topics, including the effect on farming profitability and the effect of the £1 million threshold not being transferable between spouses/civil partners.

Many involved in designing, promoting and advising on BPR and APR products will be pressing for the consultation to be as wide ranging as possible.

In relation to BPR, for example, clarification will be sought on the exact application of the replacement property provisions involving AIM shares and other business property and also in relation to whether/how BPR might apply for pension fund investments when unused funds at death become subject to IHT post 5 April 2027.

Some general observations

Some researchers at the Institute for Fiscal Studies (IFS) have commented that APR and BPR could/should be restricted to those asset owners who actually work in the business for which relief is claimed.

In the public domain there has been a strong focus on how these changes will affect farm owners, but ...

How will non-farming businesses be affected?

The policy debate about the announced changes has primarily focused on the potential effects of the proposals on farms, farming businesses, and the agricultural sector in general. The effects on non-farming businesses, which are included in the proposals because of the changes in BPR, have been the subject of less commentary.

Craig Simpson, tax partner at Bates Weston Tax LLP, has [said](#) that the potential of IHT being levied on the value of businesses “is a big challenge for private business.” Mr Simpson estimated that up to 728,000 businesses could be affected by the changes in BPR. He acknowledged that his calculation was broad, but maintained that the reforms would be a significant challenge for private businesses with similar liquidity challenges as farmers. He added that the need for business owners to formulate a plan to deal with the potential of a considerable tax burden is urgent.

In December 2024, thirty two trade associations, representing more than 160,000 UK family-owned businesses and farms, wrote a letter to the Chancellor asking for a full and formal consultation on the IHT changes. In the letter, led by [Family Business UK](#), the trade associations [warned](#) that the changes to BPR and APR “...will starve their members and the economy of investment, lead to forced, premature business sales and result in job losses right across the country.”

Family Business UK’s chief executive, Neil Davy, was [quoted](#) as saying that “...those inheriting the business will have no alternative but to sell up when the owner dies, rather than continue running the business.”

We await the consultation with deep interest.

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