

Supporting documents for Finance Bill 2025-26

Synopsis: Finance Bill 2025-26, including draft legislation for inheritance tax.

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The Government says that it is committed, where possible, to publishing most tax legislation in draft for technical consultation before the relevant Finance Bill is introduced in Parliament. The consultation on draft clauses is designed to make sure that the legislation works as intended.

Most measures comprise...

- a tax information and impact note (TIIN), which sets out what the policy seeks to achieve, and a summary of the expected impacts;
- draft legislation;
- an explanatory note which provides a more detailed guide to the legislation.

On 21 July 2025, the Government [published](#) draft legislation for Finance Bill 2025-26, for consultation. The consultation closes on 15 September 2025.

This includes draft legislation on the reforms of agricultural property relief, business property relief and on unused pension funds and death benefits.

Agricultural property relief, business property relief proposed revisions

Reforms to business property relief and agricultural property relief were announced in the 2024 Autumn Budget, the headline being that, from 6 April 2026, there will be new restrictions on the level of business property relief and agricultural property relief that can be claimed.

The Government will introduce legislation in Finance Bill 2025-26 to amend the Inheritance Tax Act 1984 with effect from 6 April 2026.

Sections 104 (business property relief) and 116 (agricultural property relief) will be amended to refer to a new 100% relief allowance, with a 50% rate applying for everything over that allowance, and to provide that the rate of business property relief available on shares will be 50% in all cases where they are...

- admitted to trading on a recognised stock exchange which are not 'listed';
- qualifying shares listed on foreign exchanges which are not a recognised stock exchange.

A new chapter 2A will be inserted to provide for a 100% relief allowance for individuals and a 100% trusts relief allowance. Commencement provisions will be made in the Finance Bill for transitional arrangements in respect of transfers before 6 April 2026 and trusts existing before 30 October 2024.

Section 69 will be amended so that all relevant property trust exit charge rates are calculated based on values before agricultural property relief or business property relief regardless of whether the exit takes place before or after the first ten-year anniversary.

Exemption for certain Scottish agricultural leases is preserved by amending section 177.

Section 227 (payment by instalments — land, shares and businesses) will be amended so that the inheritance tax liability, in relation to all shares that qualify for business property relief will be able to be paid by instalments, without having to satisfy the conditions in section 228. Amendments to section 234 (interest on instalments) extends interest relief to the instalment payments on these shares.

Inheritance tax on unused pension funds and death benefits proposed revisions

The Government is pressing ahead with inheritance tax on pensions.

The Government will introduce legislation in Finance Bill 2025-26 to include the value of unused pension funds and pension death benefits within the member's estate on their death, regardless of whether the pension scheme administrators or scheme trustees have discretion over the payment of any death benefits.

The pension death benefits, to which section 5(2) of the Inheritance Tax Act 1984 currently applies where there is no relevant discretion, will be included within the deceased's estate even where relevant discretion exists, with some exceptions.

Death in service benefits payable from both discretionary and non-discretionary registered pensions schemes will be excluded from inheritance tax. The existing inheritance tax principles providing exemption for death benefits passing to a surviving spouse or civil partner, and registered charities will be maintained.

Comment

Although these changes are certainly unwelcome, on the positive side, the extension of the rule that there will be no interest charged if the instalment method for agricultural property relief/business property relief is used, will allow more families to pay the inheritance tax over ten-yearly instalments.

It is also good to note that the Government has confirmed that death in service benefits will not be subject to inheritance tax.

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