

IHT interest rates - latest update

Synopsis: Updated interest rates for inheritance tax (IHT), published by HMRC.

Date published: 13.08.2025

HMRC has [published](#) updated interest rates for IHT. As of 27 August 2025, interest on late payments of IHT has decreased from 8.25% to 8.0%. Interest on IHT overpayments has decreased from 3.25% to 3.0% from the same date.

There is an option to pay IHT in ten annual instalments on certain assets until they are sold. Interest will usually be payable on the instalments. HMRC provides a calculator to [work out the interest](#) payable.

However, [interest relief](#) may be available, so that each instalment would be interest free if paid on or before the due date. Although, late payment interest would be due on any instalment payments paid late or in cases where interest relief is not available. In broad terms the categories of property that qualify for interest relief are...

- controlling holdings of shares and securities ([IHTM30217](#)) or holdings of unquoted shares and securities ([IHTM30216](#)) unless they are in investment type companies falling within IHTA84/S105 (3);
- businesses and interests in businesses ([IHTM30214](#)) (including partnerships);
- land if its value is reduced by Agricultural Relief ([IHTM24000](#)) or is reflected in the value transferred by the transfer of a business or an interest in a business. Note that the land must be reflected in the value of the business or interest in a business. It is not sufficient that it is merely used in the business. Only the agricultural value of the agricultural property will qualify for interest relief - value over and above that will not qualify unless the land is a business asset and used for business purposes.

The first instalment is due at the end of the sixth month after the death (for example if the deceased died on 2 February 2025, the first instalment would be due by 31 August 2025). This is the due date and payments are then due every year on that date.

More information on paying IHT in instalments can be found [here](#).

The Government recently announced that the option to pay IHT by equal annual instalments over ten years interest-free will be extended to all property which is eligible for agricultural property relief or business property relief. Please see [Reforms to agricultural property relief and business property relief](#).

HMRC also previously announced that it was reducing interest rates by .25%, to 8.0% for late payments of income tax, National Insurance, capital gains tax, Stamp Duty Land Tax, Stamp Duty, Stamp Duty Reserve Tax and corporation tax, and

decreasing repayment interest rates for these taxes from 3.25% to 3.0%, also from
27 August 2025

020 7183 3931
www.riskassured.co.uk