

Agricultural and Business Relief threshold changes

Agricultural and business property reliefs. The Treasury has announced an increase in the agricultural and business property 100% reliefs threshold from £1m to £2.5m, effective from 6 April 2026.

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The Government [announced](#) a significant change to the restrictions on business and agricultural relief announced in Autumn 2024 Budget and this is currently being legislated for in the Finance (No 2) Bill 2024-26.

The £1m 'allowance' for 100% relief on business and agricultural relief will be increased to £2.5m when the new regime takes effect on 6 April 2026. This allowance is set to remain fixed at this level until at least 5 April 2031.

As the Autumn 2025 Budget announced, any unused allowance would be made 'transferable' on death to surviving spouses/civil partners, the net effect is that up to £5m of business and/or agricultural assets will be able to pass free of inheritance tax (IHT) for married couples and civil partners.

The press release, issued jointly by the Department for Environment, Food & Rural Affairs, HM Treasury and the Department for Business and Trade, notes that...

- The number of estates claiming agricultural property relief (including those also claiming business property relief) affected by the reforms in 2026/27 will halve from 375 to 185.
- The number of estates affected by the reforms claiming only business property relief – excluding those holding only AIM shares – will fall by a third.
- Around 85% of estates claiming agricultural property relief in 2026/27, including those that also claim for business property relief, are forecast to pay no more IHT on their estates.

These Government estimates may also be disputed - there has much debate about the number of farms affected – CENTAX estimated that “between 480 to 600 farm estates per year would be impacted by the reform.”

The immediate [reaction](#) of the NFU President, Tom Bradshaw, who has been leading resistance to the so-called 'family farm tax' was to be “thankful common sense has prevailed and government has listened”.

What eventually caused the Government climbdown is unclear, but it is noteworthy that, in early December, over 30 Labour MPs abstained on the Finance (No 2) Bill [Resolution 50](#) covering with IHT relief changes, according to the NFU.

Over 100 Labour MPs are reckoned to have rural constituencies.

Comment

Whilst good news for farmers and business owners, it does not change the fact that many of them will have already spent time and money working with their advisers planning for a much harsher tax regime. During that period of uncertainty many families might have made irreversible decisions, such as selling some of their land, restructuring their businesses or accelerating succession plans, because they believed the impending rule changes were fixed.

This certainly highlights one of the dangers of making big financial decisions based on impending tax changes that have not yet been brought into law. We can expect an amendment to be introduced to the Finance (No 2) Bill in January.

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