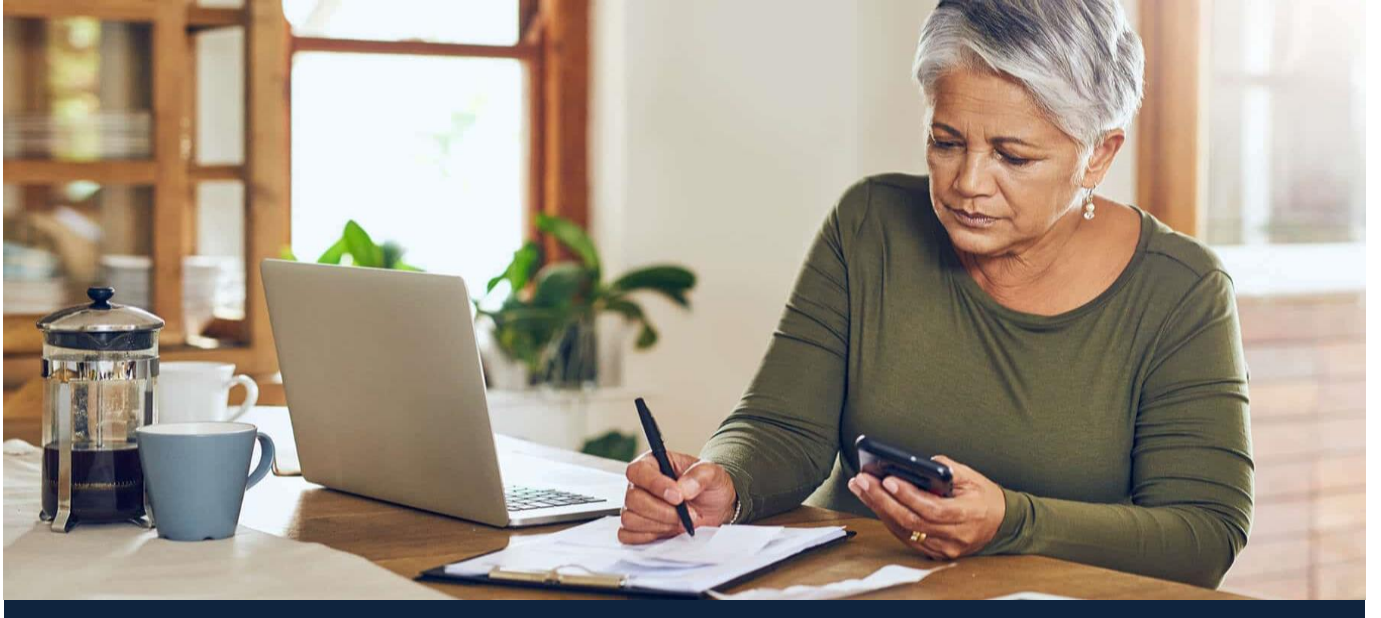
Broadcast

FACTSHEET: IHT CHANGES IN DRAFT LEGISLATION

SPECIAL ISSUE

01753 888211
www.nhllp.com



The Government has confirmed a number of important changes to Inheritance Tax (IHT) rules as part of the draft Finance Bill 2025-26, published on 21 July. These changes could affect the estates of business owners, farmers, and anyone with unused pension funds.

Here is a summary of what you need to know:

New limit on tax-free relief for farms and businesses
From 6 April 2026, the amount of business or agricultural property that qualifies for 100% Inheritance Tax relief will be capped at £1 million. Any value above this threshold will only get 50% relief.

This change affects:
- Business Property Relief (BPR)
- Agricultural Property Relief (APR)
- Assets held in trusts

Where multiple trusts are involved, the £1 million allowance will be split between them based on the order in which the trusts were created.

What this means for you
If you own a farm or a business, or hold shares in a trading company, you may need to review your estate plan. This change could increase the IHT bill on your estate.

Pension funds will become part of your estate for IHT

From 6 April 2027, most unused pension funds will be included in your estate when calculating IHT. At present, many pensions fall outside of IHT.

Key points:

- Executors (not pension scheme administrators) will need to report and pay the IHT due on pensions.
- This change does **not** affect death-in-service benefits.
- It could lead to effective tax rates of up to 67% in some cases if both IHT and income tax apply.

What this means for you

If you plan to leave pension funds to your family, it may be worth exploring whether you should take benefits sooner or use alternative inheritance strategies.

Gifts made after 30 October 2024 may fall under the new rules

Even though the changes come into force in April 2026, gifts made after **30 October 2024** will be subject to the new IHT rules if the person giving the gift dies within seven years.

What this means for you

Now is the time to review any recent or planned gifts and consider how they may be affected by the new relief limits.

What to do next

We recommend reviewing your estate planning arrangements, especially if:

- You own farming or business assets
- You have one or more pension pots
- You have made or plan to make substantial gifts

We are happy to help you assess the likely impact of these changes and explore options to reduce future IHT exposure.

We can help

If you need any further information, contact us on **01753 888 211** or email **info@nhllp.com**. We are here to help.